FINANCIAL TIMES

Jack Welch
GE's architect of change
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Car markets
Japanese target the neighbours
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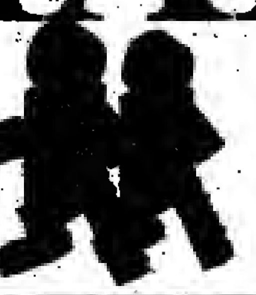

Toys that think
Putting fantasy to work
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Treating cancer
Drugs group's direct route
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World Business Newspaper
THURSDAY DECEMBER 21 1995

Mystery customers still hold $220m in BCCI accounts

More than $220m deposited with the Bank of Credit and Commerce International, which collapsed in 1991, remains unclaimed by nearly 29,000 customers. There is suspicion that the accounts, held at UK and European branches of the bank but often placed by nominees offshore, were used for illegal activities from tax evasion to money-laundering. A Luxembourg court yesterday cleared a settlement for 100,000 creditors who are likely to get an initial dividend of at least 20 per cent. Page 12

Hanson seeks £1.5bn from US sale: Industrial conglomerate Hanson announced plans to raise £1.5bn ($2.4bn) from the disposal of US businesses Suburban Propane and Cavenham Forest Industries. The proceeds will reduce Hanson's heavy borrowings of £4.7bn. Page 13; Lex, Page 12

Clinton veto overridden: The US House of Representatives voted swiftly to override President Bill Clinton's veto of legislation to reform securities litigation, leaving it to the Senate to decide the bill's fate. Page 3

Strong growth in UK exports: Britain's exports surged last month while money supply growth overshot the government's monitoring range for the first time, official figures show. Page 6

Seat expects to cut losses: Spanish carmaker Seat, owned by the Volkswagen group, expects a reduced pre-tax loss in 1995 compared with last year's Pta44.8bn ($367m), Utz Claassen, its German finance chief and executive vice-president, said. Page 13

Yeltsin plays down poll result: Russian president Boris Yeltsin played down the Communist party victory in parliamentary elections, insisting that the result would not alter the country's economic and political course. Page 2

PolyGram to buy Goldwyn library: PolyGram, the entertainment group which issued a profits warning this week, agreed to buy the film and television library of The Samuel Goldwyn Company, the financially troubled US film business, for $62m in cash. Page 13

UK fisheries minister to fight quota cuts: UK fisheries minister Tony Baldry will arrive in Brussels today to fight severe cuts recommended by the European Commission for Britain's fishing quotas. Page 6

Management changes at France Télécom: Michel Bon, chairman of France Télécom, announced a restructuring of management at the state-owned operator and outlined strategic objectives to prepare for the liberalisation of the European telecoms market. Page 13

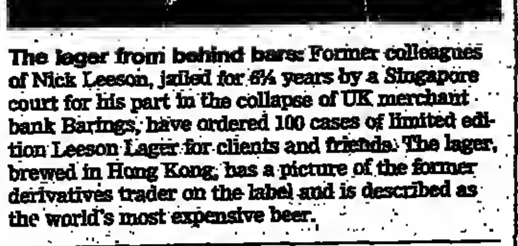
Honda's emphasis shifts abroad: Honda is set to become the first Japanese carmaker to produce more vehicles abroad than at home next year in a move highlighting the accelerating internationalisation of Japan's motor industry. Page 4

Rha is finance minister in Seoul reshuffle: Rha Woong-bae, head of South Korea's national unification ministry, was appointed minister for finance and economy in a cabinet reshuffle less extensive than predicted. Page 5

Opposition claims victory in Mauritius: Prime minister Sir Anerood Jugnauth of Mauritius conceded defeat in general elections after 13 years in power, as opposition leader Navin Ramgoolam predicted a landslide victory.

Australian union membership falls: Australian trade union membership fell 133,900 in the year to June, government figures show. About 40 per cent of the workforce now belongs to a union, against 52 per cent five years ago. Page 3

Second breast cancer gene isolated: Scientists at the Institute of Cancer Research in London have isolated a second gene responsible for inherited breast cancer. Page 12



The lager from behind bars: Former colleagues of Nick Leeson, jailed for 6½ years by a Singapore court for his part in the collapse of UK merchant bank Barings, have ordered 100 cases of limited edition Leeson Lager for clients and friends. The lager, brewed in Hong Kong, has a picture of the former derivatives trader on the label and is described as the world's most expensive beer.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,124.71	(+14.82)
NASDAQ Composite	1,033.76	(+7.35)
Europe and Far East		
CAC40	1,831.20	(+20.99)
DAX	2,262.07	(+25.45)
FT-SE 100	3,613.7	(+36.8)
Nikkei	19,448.59	(+308.10)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.149%
Long Bond	110½
Yield	6.1%

OTHER RATES

UK: 3-mo Interbank	6½%	(6½%)
UK: 10 yr Gilt	106⅜	(106⅜)
France: 10 yr OAT	107.4	(107.07)
Germany: 10 yr Bond	102.95	(102.86)
Japan: 10 yr JGB	113.826	(113.468)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$17.76	(17.75)

GOLD

New York Comex		
(Feb)	$388.6	(388.4)
London:		
close	$387.8	(387.75)

DOLLAR

New York: lunchtime		
£	1.539	
DM	1.439	
FFr	4.9479	
SFr	1.1645	
Y	101.9	
London:		
£	1.538	(1.5433)
DM	1.4404	(1.4355)
FFr	4.9614	(4.9412)
SFr	1.1665	(1.1521)
Y	101.835	(101.67)

STERLING

DM	2.2169	(2.2155)
Tokyo close:	Y 102.06	

Austria	Sch35	Greece	Dr400	Malta	Lm0.80	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L80,000
Germany	DM3.50	Lux	LFr70			UAE	Dh12.00

Largest annual issue of state bonds in country's history to fund increase

Japan plans 5.8% spending rise

By William Dawkins and Gerard Baker in Tokyo

The sharpest rise in Japanese public spending for five years, to cover rising debt costs and the controversial rescue of housing loan companies, was proposed in the government's draft 1996 budget yesterday.

The draft envisages a 5.8 per cent increase in spending to Y75,105bn ($735bn) in the fiscal year starting next April, to be funded by the largest annual issue of state bonds in the country's history.

The government plans to borrow Y21,029bn next year, bringing the central government debt to a record Y240,000bn, an increase which is likely to put upward pressure on long-term interest rates, economists in Tokyo said. If local government debt is included, that will bring Japan's general government deficit nearly level with its own gross domestic product, well above the average for industrialised nations.

Mr Masayoshi Takemura, finance minister, expressed "deep regret" over the rise in debt and warned that drastic reform of the tax and government spending systems was unavoidable.

The budget is due to be adopted by the cabinet on Monday and be passed to parliament for a stormy debate. That is likely to centre on the proposal to allocate Y685bn for a bail-out of housing loan companies, seen as vital to the stability of the financial system.

Bailout plan tainted .... Page 3
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The budget estimates that next year's tax revenue will fall by 4.4 per cent to Y51,345bn because of the slowness of the economic recovery. On spending, the government expects to pay Y13,221bn to service existing debts next year, up nearly a quarter on the previous year to stand at 28 per cent of spending, the highest in 15 years. General spending on government programmes is to rise 2.4 per cent to Y42,141bn. The biggest chunk goes to social security, also up 2.4 per cent to Y13,924bn, a result of the growing demands of an ageing society.

Japan's budget problems have forced it to take a harder look at its foreign aid spending, which is to get its lowest rise ever, by 2.6 per cent to Y1.14bn. *Defence* spending is to rise 2.58 per cent – much more generous than last year – to Y4.845bn, to meet a large bill for support jet fighters.

Most of the budget was in line with market expectations, except for the housing loan rescue, the outcome of an intricate negotiation between the government and commercial banks and agricultural co-operatives, the main creditors of the failing companies. As well as the Y685bn to be earmarked now, the government is committed to underwriting a proportion of any other debts of the housing lenders that prove to be irrecoverable. That will require at least another Y600bn.

The lenders have more than Y6,000bn *in uncollectible loans*, representing half their total loan books. The government had sought to persuade banks and agricultural co-operatives, to accept the full losses themselves. But the powerful farming lobby refused to accept more than a small proportion of the cost of the bailout, and the government was forced to put up the rest.

Goldman Sachs may be floated, says senior partner

By Maggie Urry in New York

The fierce debate at Goldman Sachs over whether to sell shares *to the public came into the open* yesterday when Mr Jon Corzine, senior partner, acknowledged that the US investment bank was considering the issue.

His comments came after Goldman recorded a sharp recovery in *profits in its latest financial year.* Goldman is the last big partnership on Wall Street and has been the subject of intense speculation over its future.

Mr Corzine stressed the partnership structure had served the firm well over its 127-year history. He said Goldman had looked at the question five times in the last 25 years and "every time the partnership has chosen to stay in its current structure and gone on and been very successful in the years following".

Although no time limit had been set, Mr Corzine said the issue would not be allowed to *drag on.* "I would like the partners to have a chance to think about this and be fully informed". He said even if Goldman decided to go public it would still take four to six months from a decision to a flotation.

Mr Hank Paulson, vice chairman and chief operating officer, said Goldman would not allow the question of a flotation to become a *divisive issue within* the firm. Mr Corzine said it would take more than a simple majority of partners to decide to go public.

Mr Corzine rebuffed suggestions the firm could not continue with its present capital structure. He said the capital structure had not been a constraint, although at times the firm had felt the lack of *skilled people in certain areas.*

Mr Corzine took over as senior partner at the end of 1994 after the firm had suffered a sharp fall in profits, to $508m before payments to partners.

Although Goldman declines to comment on its results, profits in the year to November 30 are understood to have recovered to $1.37bn, still well below the 1993 record *of $2.7bn. That suggests* a continuing improvement in the second half, after first-half profits of $508m, which bodes well for profits at other securities houses.

Mr Corzine said it had been a terrific year compared with 1993-94, when Goldman is understood to have lost money in the bond market along with most other Wall Street firms. Goldman *had been helped by favourable* market environment. However, he said it had been a testing year for people at the firm, referring to a number of job cuts in the first quarter.

He said that, even so, 1995 *returns* were "not ones we would

Continued on Page 12
House saves securities reform bill, Page 5

Nato troops move in to enforce Bosnia peace

US soldiers set up barbed-wire emplacements at fog-bound Tuzla airbase on the first official day of Nato's peace mission in Bosnia. They are part of a 60,000 force being deployed to enforce the Dayton peace agreement after the end of the United Nations' troubled 3½-year mission in former Yugoslavia. An international donors' conference set a target of $518m to cover urgent reconstruction in the first quarter of 1996. An estimated $5bn will be needed over the next four years for housing, communications and aid. Report, Page 12; Editorial Comment, Page 11 Picture: Reuter

London and Dublin settle aid row over Irish steel plant

By Stefan Wagstyl and John Kampfner in London and Emma Tucker in Brussels

The UK and Ireland yesterday settled their row over Dublin's plans to grant aid to an ailing steel plant in a deal which lifted a cloud from the Northern Ireland peace process but left British steelmakers threatening legal action.

The deal, which permits Dublin to inject grants into Irish Steel in return for limits on its sales and output, allows Mr John Major, UK prime minister, to go ahead tonight with a goodwill visit to Ireland aimed at bolstering relations with Mr John Bruton, the Irish premier, after a series of rows and public recriminations.

"This will be as much a fence-mending exercise as anything else," an Irish official said. "Had a deal not been struck, it would have been difficult for Mr Bruton *to receive Mr Major. Once again* both sides have come back from the brink."

But British steelmakers, led by British Steel, condemned the agreement, which was reached at a meeting of European industry *ministers* in Brussels after three months of talks. British Steel pledged to take the European Commission to the European Court of Justice for permitting the subsidies to go ahead.

Though British officials tried to put a positive gloss on the agreement, it was clear from the terms that the UK had conceded a crucial point – that production at Irish Steel, Ireland's only steelmaker, will be permitted to *increase over the next few years.*

Under the deal, the state-owned plant will be refinanced and sold for a nominal I£1 to Indian-owned Ispat International. Dublin will inject I£38m ($60m) into the plant, more than the I£27m previously proposed.

In return, the plant's production will be limited and monitored for five years. Output of *hot-rolled products* will be limited to 320,000 tonnes in the year to June 1996, rising to 361,000 tonnes in 2000. Sales within the EU, *Norway and Switzerland will* be more tightly controlled, with a proposed increase from 298,000 tonnes this year to 320,000 tonnes in 2000.

The limits represent a sizeable increase over the plant's output last year which totalled just 258,000 tonnes.

Mr Ian Lang, UK trade and industry secretary, welcomed the *agreement*, saying the key issue had always been to ensure that the safeguarding of jobs at Irish Steel, which employs 330, was not done at the expense of jobs in Britain. "I believe that the agreement reached today meets that objective."

British Steel said it would seek to have the European Court of Justice declare the aid illegal and force Ispat to repay the money.

The British and Irish governments yesterday established a precedent by holding a joint meeting with one of Northern Ireland's political leaders, Mr John Alderdice of the non-sectarian Alliance party.

Poland in crisis over claim PM was spy for Russia

By Christopher Bobinski in Warsaw

Poland faced a political crisis yesterday as the Russian government denied allegations of contacts between Mr Jozef Oleksy, the Polish prime minister, and Russian agents.

Mr Lech Walesa, the outgoing Polish president, said military prosecutors had been asked to investigate charges of treason by a "senior government official" in a case which threatened "national security".

The charges, blamed for a 3.5 per cent fall yesterday in Warsaw stock prices, came in the final days of Mr Walesa's term in office. Mr Aleksander Kwasniewski, the former communist who won last month's presidential election, will be sworn in on Saturday.

In public, Mr Oleksy has not been officially named as the target of the investigation, nor has Russia been formally identified as the "foreign power" at the centre of the controversy.

But Moscow was prompted to issue a denial after reports of the allegations leaked out yesterday. The Russian government insisted that it had not recruited agents from among communist party members in formerly Soviet-dominated eastern Europe.

Mr Walesa attended an emergency meeting of the Polish cabinet, chaired by Mr Oleksy, which discussed the case for almost two hours. Ministers leaving the meeting said details of the case had been classified as confidential.

An official communique said: "Information provided by the minister of the interior did not warrant the view that the country's security was under threat, and no special steps were needed".

After the meeting, Mr Oleksy, speaking on television, denied all culpability and said he was ready to stand trial. He called the accusation "a dirty provocation which was an attempt to destabilise the country".

Mr Oleksy accused Poland's security services of fabricating documents and condemned "the

Continued on Page 12

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NEWS: EUROPE

Di Pietro may face blackmail trial

By Robert Graham in Rome

Mr Antonio Di Pietro, the Milan magistrate who brought to light the first of the dozens of corruption scandals which have undermined Italy's political élite, yesterday faced the prospect of trial on three counts of blackmail.

The grave charges against Mr Di Pietro require endorsement by a judge before he is sent for trial. The case is complicated by allegations that Mr Di Pietro himself was the victim of blackmail by people closely linked to the former Berlusconi government.

But the request for his trial threatened to undermine the credibility of Italy's three-and-a-half-year anti-corruption drive.

The two Brescia magistrates who made the request also asked that Mr Paolo Berlusconi, younger brother of former premier Silvio, be sent for trial for aiding and abetting Mr Di Pietro's blackmail.

Also covered by the request for Mr Paolo Berlusconi to be sent for trial was Mr Cesare Previti, the defence minister in last year's Berlusconi government and the Rome lawyer for Mr Silvio Berlusconi's Fininvest business empire, as well as two senior justice minister officials. Mr Di Pietro had been heavily involved in investigating the activities of Fininvest.

Yesterday's events have dealt a serious blow to the political ambitions of Mr Di Pietro whose support has been courted by both the right and left. Polls show a political movement headed by him could win 10 per cent of the vote, making it the fourth largest party.

The magistrates' requests after seven months investigation indicate that they believe Mr Di Pietro resigned from the magistrature in December 1994 because he was the subject of blackmail.

It also indicates the blackmail came from figures very closely linked to Mr Silvio Berlusconi, then prime minister, who in November last year was warned he was under investigation for corruption.

Subjects of the blackmail were:

● A loan in the mid-1980s of L120m ($75,000) for Mr Di Pietro to purchase a house from Mr Giancarlo Gorrini, a Milan businessman involved in a big insurance fraud.

● The gift of a second-hand Mercedes from Mr Gorrini's insurance company.

● Undue pressure by Mr Di Pietro on some businessmen to help pay the gambling debts of a friend who was the head of Milan's traffic police.

Mr Di Pietro did not deny he received the loan or the car but said the money was fully repaid by the autumn of 1994.

Yesterday, Brescia magistrates claimed he had blackmailed Mr Gorrini into making the loans, giving the car and paying his friends' debts. They also alleged he had used undue influence to help organise a contract to install information technology in the Milan law courts as well as for his friend to be selected as head of the Milan traffic police.

Mr Gorrini went to the justice ministry in the autumn of 1994 to denounce what he knew about Mr Di Pietro last autumn. This move was allegedly prompted by Mr Paolo Berlusconi and Mr Previti.

● Switzerland's highest court has ruled that bank and corporate documents seized from Fininvest can be given to Milan prosecutors investigating corruption allegations, AP reports from Lausanne.

Italy unlikely to meet end-of-year parliamentary deadline for budget

The Italian government yesterday faced growing difficulties in meeting the end-of-year deadline to obtain final parliamentary approval for its 1996 budget, writes Robert Graham in Rome.

It was desperately trying to find ways of coming to terms with a budget amendment forced through on Tuesday by the rightwing alliance headed by Mr Silvio Berlusconi, the former prime minister, which would oblige the government to find a further L5,200bn ($3.2bn) in spending cuts. The government had instead envisaged raising taxes on cigarettes and petrol in a "mini-budget" to make up for revenue shortfalls that have emerged since the 1996 budget was first presented in September.

The government was examining two broad options yesterday. The first centred on an appeal to the centre-left parties, which have a clear majority in the Senate, to vote against the amendment. This would allow the Chamber of Deputies to reconsider their position, in particular those members of the populist Northern League who teamed up with the rightwing alliance to achieve a majority.

The second option involved setting before parliament a range of cuts – mainly in health, transfers to the regions, tax breaks for companies and defence spending. Whichever option was chosen, politicians on both sides believed time was needed to work out a compromise. If the budget is not approved by December 31, a provisional budget comes into force with strict limits on spending.

Yesterday, the trade unions voiced concern about prospective cuts. In response to union opposition, the 1996 budget had shied away from placing too much emphasis on spending cuts. At present the government is seeking to raise L32,000bn by a combination of tax increases and spending cuts – of this only L14,000 is due to come from slashed spending.

Meanwhile, a settlement was reached yesterday with petrol pump operators, who called off a series of shut-downs over Christmas and New Year after the government agreed to water down proposals to liberalise the sector.

Kremlin leader insists majority of new MPs back democracy and freedom

Yeltsin says poll result not 'tragedy'

By Chrystia Freeland in Moscow

Communist party leader Gennady Zyuganov (left) conferring with his deputy Valentin Kuptsov during a press conference in Moscow yesterday to discuss the outcome of the election *Reuter*

President Boris Yeltsin yesterday tried to play down the Communist party victory in last weekend's Russian parliamentary ballot, insisting that the result would not alter the country's economic and political course.

"We have no reason for concern or to regard the election as a tragedy," Mr Yeltsin said, in his first remarks since the elections. "The majority of the new Duma (parliament) consists of parties which follow and will follow the policy of democratisation and observance of human rights and personal freedoms which Russia has started and which it will not give up."

The Kremlin leader's remarks were upstaged by additional elections results released yesterday evening, which showed further gains for the Communists. With more than three-quarters of the votes counted, the Communists appear likely to win at least 150 of the 450 seats in parliament.

The leftwing coalition, which is expected to include the Communists' rural allies, the Agrarians and other small, more radical Communist factions, is now likely to occupy at least 40 per cent of the seats in parliament.

However, Mr Gennady Zyuganov, the Communist boss who has been catapulted into the international spotlight by the election results, said the vote should not worry foreign investors. "They say Communists oppose foreign investment," Mr Zyuganov said. "That is not true. Look at China where a Communist government has not prevented foreign companies investing 10 times more than they do in Russia. No one is scared there. Why should they be here?"

Mr Zyuganov was less generous towards Russia's current rulers, warning that the election results would force the government to abandon its current fiscal austerity and boost social spending, raise tariff barriers to support domestic industry and increase state subsidies for faltering sectors of the economy.

"The government has put its policy to a virtual referendum and only one out of 10 voters supported it," Mr Zyuganov said. "With such support they simply cannot continue with the old policies."

Mr Zyuganov also reaffirmed that the Communists intend to challenge the 1991 Belovezhsky Woods treaty, which provided the legal grounds for the dissolution of the Soviet Union.

This could be one of the most dangerous elements in the communist political agenda, because it is one of the issues on which the left-wing coalition is likely to win the support of Mr Vladimir Zhirinovsky's ultra-nationalist Liberal Democrats, who are expected to control some 50 seats in parliament.

Earlier in the week reformers had hoped that Russia's Choice, the liberal party led by the former prime minister Mr Yegor Gaidar, would exceed the 5 per cent barrier and shift the balance in parliament away from the left.

But the most recent returns, which show Russia's Choice with just 4.11 per cent of the vote, have suggested that reformist parties are likely to be significantly out-gunned.

EU fails to end deadlock on energy

By Emma Tucker in Brussels

A deal to break Europe's six-year deadlock on liberalising energy markets yesterday eluded European Union ministers. They were unable to reconcile sharply different positions on how far existing monopolies should be broken up.

Public sector industrial unrest in France made it virtually impossible for the French government to soften its staunchly anti-liberalisation stand, while Germany and the UK insisted on a radical approach.

"The core of the deal is just too difficult in France at the moment," said a diplomat.

As a demonstration of its commitment to a strong public sector, France, backed by Greece, closed the energy council meeting in Brussels with a unilateral declaration that it considered energy to be a public service.

This provoked a retaliation from Mr Lorenz Schomerus, a senior German economic ministry official, who said that there had to be a greater opening of energy markets and more competition.

"I understand that there are obligations to public service, but this should not be allowed to hamper public service," said Mr Schomerus.

The key obstacle to progress remained the knotty problem of "third party access" – or how far energy companies should have to open their networks to competing energy suppliers. France wants Electricité de France, its state energy company, to maintain control over its network, while countries such as the UK and Germany believe competitors should be assured access to national networks.

The ministers attempted to maintain recent momentum behind energy liberalisation by issuing an upbeat and liberal set of conclusions which pleased British and German diplomats.

They were also optimistic that a deal could be reached over the next six months under the Italian presidency of the EU which starts next month.

"I am certain we will be able to achieve success under the Italian presidency," said Mr Christos Papoutsis, the commissioner responsible for energy.

However, he hinted that the Commission was coming under intense pressure to stick to the terms of the Rome Treaty which foresee a single energy market, and would be prepared to use special powers to force liberalisation if the deadlock continued.

"For a long time now we have been in a difficult position because we have treaty obligations," said Mr Papoutsis.

Ministers will have to thrash out how far, and at what speed distribution networks are opened to competition. A compromise produced by the Spanish government – now ending its six-month presidency – proposed a phased liberalisation over eight years.

France is continuing to back its "single buyer" proposal, an alternative "liberalisation" package. Under this arrangement deals between electricity users and foreign suppliers would have to be reached through the host country's transmission system operator, which would be the sole purchaser of electricity supplies within that country.

Surprise choice for head of French railways

By David Buchan in Paris

Le Floch-Prigent: former Socialist choice

The French government yesterday made the surprise choice of Mr Loïk Le Floch-Prigent, president of Gaz de France, as head of the state-owned SNCF rail network.

Mr Le Floch-Prigent, who is 52, has been more associated in the past with Socialist governments, which have appointed him to run other state enterprises. Mr Alain Juppé's conservative government has chosen him in the hope that he can negotiate a new plan to streamline the company without provoking a recurrence of the recent three-week strike that cost it FFr2.5bn ($504m) and brought its expected 1995 deficit to FFr14bn-FFr15bn.

Mr Bernard Pons, the transport minister, praised Mr Le Floch-Prigent's qualities as a "negotiator and a man of social dialogue". The nomination won praise, too, from some leftwing politicians.

Mr Le Floch-Prigent was a last-minute choice. Mr Juppé precipitated last week's resignation of Mr Jean Bergougnoux as head of SNCF by publicly criticising his failure to win union acceptance of his controversial railway recovery plan, then found himself pressed to find a replacement.

He was ready to settle for Mr Louis Gallois, the Aérospatiale president and another Socialist appointee, but President Jacques Chirac apparently vetoed the move fearing that it would destabilise the aerospace and defence company at a crucial point in its own restructuring.

SNCF officials expect Mr Le Floch-Prigent to take over at the start of January.

SNCF trains were running normally yesterday. The unions have accepted an offer to spread over several months the impact on pay packets of wages lost during the strike, to pay workers for 3-4 days during the strike which they would normally have had off, and to allow employees to convert a third of their time on strike into paid leave taken out of their 1996 holidays.

The company's new president has had a see-saw career running state enterprises. A former chief aide to the first Socialist government's industry minister in 1981, he was parachuted in the following year as the head of the then nationalised Rhône-Poulenc chemicals group.

The Chirac government ousted him in 1986, but its Socialist successor made him head of the Elf-Aquitaine oil company in 1989.

He stayed at Elf until 1993, when the Gaullists returned to power, replaced him at Elf by Mr Philippe Jaffré and privatised the oil group, switching Mr Le Floch-Prigent to Gaz de France, the state utility. Criticised by Mr Jaffré for leaving Elf over-expanded and indebted, Mr Le Floch-Prigent's tenure at Gaz de France had since seemed shaky after his stewardship at Elf and because of his association with the left.

His appointment is a measure of the government's desire to build bridges. The SNCF president is a firm believer in France's public services.

Juppé promises proposals to increase growth

By Andrew Jack in Paris

The French prime minister yesterday promised to unveil concrete proposals to help boost household consumption and economic growth at his "social summit" this afternoon with unions and business organisations.

Mr Alain Juppé, speaking in the parliament, promised to present new ideas on growth as well as opening serious discussions on increasing youth employment and greater flexibility in working hours.

His proposals are likely to concentrate on how best to implement a number of existing initiatives launched over the past few months, but may also include a series of new propositions.

Speaking on television last Sunday, Mr Juppé did not rule out considering new legislation to require employers to hire young people.

However, he has rejected demands to discuss salary levels made by several unions leading industrial action in opposition to his controversial social security reforms over recent weeks.

His determination not to discuss money was a necessary condition for participation in the summit by the Patronat, the French employers' federation, and came in spite of threats from the unions that strikes could reignite if the subject were not debated.

The summit, which is due to start this afternoon and run late into the evening, will involve the government, the country's five principal unions, the Patronat, and two other business organisations.

The details came as the French Senate voted by a large majority to give the government approval to introduce its remaining social security reforms by decree rather than full parliamentary debate.

The government used its strong majority to push through the vote, as it had done over the past few days in the National Assembly, despite strong criticisms by opposition politicians that the approach was anti-democratic.

Meanwhile, results of a new survey from Sofres, the opinion polling institute for the Figaro newspaper, suggested yesterday that 70 per cent of business leaders were pessimistic about the country's economic growth next year, and two-thirds said the recent strikes would have serious consequences for them.

France to retain border controls

By David Buchan in Paris and Ronald van de Krol in Amsterdam

France yesterday formally told its partners in the Schengen accord on open borders that it wanted "a few more months" to improve security measures against terrorism and drug-trafficking before dispensing with frontier checks on travellers.

The announcement, foreshadowed by President Jacques Chirac in the autumn, was made at yesterday's meeting of the Schengen executive committee in Ostend, Belgium. It follows France's decision in June to keep frontier controls in place for six months.

Ten European Union countries have now ratified the Schengen convention, though it is only the Benelux countries, Germany, Spain, Portugal and, in theory, France, which are engaged in implementing it. France's latest decision will disappoint its partners whose efforts to satisfy French demands have produced "real progress on certain points", as Mr Michel Barnier, the French European affairs minister, said yesterday.

But he and Mr Hervé de Charette, the foreign minister, insisted that despite relaxing measures taken in the wake of last summer's bombings, France needed to keep its own border checks against terrorism and also against drugs being "exported" from the Netherlands.

The Dutch government said yesterday it still expected French and German leaders to visit the Netherlands in 1996 to discuss drugs policy and other issues.

The drugs question is likely to dominate the long-awaited talks, as the Netherlands' neighbours have become increasingly vocal about what they see as Dutch leniency on soft drugs. Use is illegal, but is tolerated; the authorities crack down on hard-drug traffickers but treat addicts as patients, not criminals.

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EUROPEAN NEWS DIGEST

Airport arrest in Bouygues probe

French police yesterday arrested Mr Pierre Botton, a Lyons businessman who has been linked to the investigation by magistrates of Bouygues, the construction company, – as he attempted to leave the country for the US.

An aircraft he had boarded delayed at Roissy airport in Paris and police came on board to take him away. Mr Botton, who was last summer convicted by a court in Lyons on a series of corruption charges along with Mr Michel Noir, the city's former mayor, is currently helping magistrates investigating allegations linked to Bouygues.

Mr Botton, who is Mr Noir's son in law, was originally convicted for misuse of corporate funds in 1992 in a separate inquiry. He was sentenced earlier this year in a new corruption case to four years' imprisonment, with an appeal due in January.

Mr Martin Bouygues, chairman of the company, was yesterday still being held by police, who also raided the group's offices just to the west of Paris. The inquiry is believed to centre on the use of Swiss bank accounts linked to Mr Botton into which large sums of money were allegedly paid by a number of French companies. The judge is investigating claims that at least FFr2m ($410,000) was paid by Bouygues alone. *Andrew Jack, Paris*

German growth forecast lower

A leading German economic research organisation yesterday revised down sharply its expectations of growth in 1996 just as the Federal Statistics Office in Wiesbaden forecast a record number of insolvencies this year.

The Munich-based Ifo economic research institute now expects growth to slow to 1.75 per cent next year from 2 per cent in 1995 after forecasting growth of 2.5 per cent for 1996 and 2.25 per cent this year as recently as October. But Mr Karl Heinrich Oppenländer, the Ifo president, said Germany was facing a "cyclical dip" rather than a recession.

He forecast stronger growth in the second half of 1996, supported by domestic demand. Ifo believes there may be scope in the spring for a further cut in Germany's discount rate from the present 3 per cent. Mr Oppenländer blamed weak investment for Ifo's lower forecasts. The problems of slow growth were highlighted yesterday by the Wiesbaden statistics office which forecast 28,000 insolvencies in Germany this year after last year's record of 24,928. *Peter Norman, Bonn*

Brussels mobile phones directive

The European Commission said a directive on mobile and personal telecommunications will come into operation early next year. The directive requires member states to abolish all exclusive and special rights in the mobile communications sector for monopoly players and to set up open and fair licensing procedures.

Operators holding licences for one mobile service will be able to apply to run all digital mobile services, such as GSM, DCS 1800 minicell and DECT cordless. Member states may not refuse to allocate licences for public access/Telepoint applications using the DECT short-range system or, from 1998, licences for mobile systems on the DCS 1800 standard, thus meeting concerns in the UK, France and Germany. Member states may not restrict combinations of mobile technologies.

The directive also gives mobile operators the right to build their own infrastructure or make use of alternative telecom infrastructures run by utilities and railways, the commission said. *Reuter, Brussels*

Austrian competition inquiry

The European Commission announced yesterday it was investigating capital injections made by the state-owned Austria Tabakwerke into its subsidiary Head Tyrolia Mares, a producer of sporting equipment and sportswear, after complaints from competitors. HTM was rescued from insolvency in April when Austria Tabakwerke made a first capital injection of Sch400m ($40.8m). Other rescue payments followed in August and September. Austria Tabakwerke also decided in September to sell its subsidiary to a group of international investors for a symbolic price of Sch10m and a capital grant to write off HTM's losses of Sch1.19bn.

● The Commission has decided not to object to payment of the third and final tranche of state aid totalling I£50m ($75.8m) to Aer Lingus, the Irish national airline. This follows a decision in December 1993 to allow the carrier to receive I£175m of state aid to finance a restructuring plan.

● The Commission cleared payment of Ecu69m ($90.5m) by the Spanish government to Ford España, a subsidiary of Ford Motor Company for, research and development associated with plans to develop and manufacture a new petrol engine on its Almusafes site. The Commission considered the R&D, environmental, energy savings and training aid were compatible with EU competition rules on aid to the car industry. *Emma Tucker, Brussels*

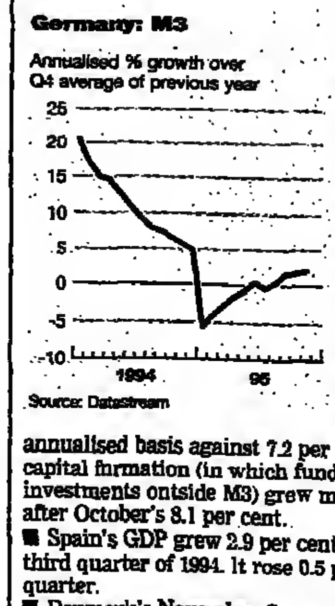
Kinnock tax plan to ease traffic

The European Commission said yesterday that new taxes and tolls on cars and trucks should be imposed to ease traffic congestion in cities and cut vehicle pollution.

Mr Neil Kinnock, the transport commissioner, said possible steps include new road tolls in cities, higher taxes on vehicles that cause most pollution and road damage, and charges to drivers based on total mileage driven. The Commission also called for commitments by Europe's carmakers to develop more efficient vehicles, tax breaks for consumers who buy efficient cars, and more money for research into fuel efficiency. The Commission will submit both plans – general ideas rather than concrete proposals – to the 15 EU governments in the hope they will help craft legislation and then adopt it. *AP, Brussels*

ECONOMIC WATCH

German M3 remains weak



The weak trend in German money supply, with which the Bundesbank justified last week's interest rate cuts, continued in November as M3 grew at an annualised rate of only 2 per cent. This leaves it well under the 1995 target range of 4-6 per cent. The bank last week set an M3 target for 1996 of 4-7 per cent. Last month's rise in M3 was the largest this year and compares with a rate of 1.7 per cent in October. The Bundesbank said bank lending remained high in November, growing by 7.8 per cent on a six-monthly annualised basis against 7.2 per cent in October. Monetary capital formation (in which funds move to longer-term investments outside M3) grew more slowly at a 7 per cent rate after October's 8.1 per cent. *Andrew Fisher, Frankfurt*

■ Spain's GDP grew 2.9 per cent in the third quarter from the third quarter of 1994. It rose 0.5 per cent from the previous quarter.

■ Denmark's November Consumer Price Index rose 0.2 per cent from a month earlier, bringing the year-on-year inflation rate to 1.9 per cent.

■ Italy's industrial producer price index was unchanged in October from September and up 7.9 per cent over the same month last year.

■ The Dutch current account showed a Fl 3.969bn ($2.5bn) surplus in the third quarter compared with a revised Fl 1.465bn surplus in the first quarter and a Fl 3.139bn surplus in the same quarter a year ago.

NEWS: ASIA-PACIFIC

Rha is finance minister in Seoul shuffle

By John Burton in Seoul

Mr Rha Woong-bae, head of South Korea's national unification ministry, was yesterday appointed minister for finance and economy in a cabinet reshuffle less extensive than predicted.

The choice of Mr Rha, one of the cabinet's most pro-business ministers, indicates President Kim Young-sam plans to keep close ties with the country's big industrial groups despite their involvement in the recent scandal concerning ex-President Roh Tae-woo.

Worried by the possible impact of the scandal on economic growth, Mr Kim "appears to have opted for stability rather than reform," one opposition party official said.

The cabinet reorganisation, the fifth since Mr Kim took office in February 1993, was advertised as an effort to break ties with his two military-backed predecessors.

Former presidents Chun Doo-hwan and Roh are expected to be indicted today on sedition charges for leading a 1979 military coup and the subsequent massacre of pro-democracy protesters in the city of Kwangju.

Mr Roh is already on trial on corruption charges; Mr Chun is staging a hunger strike to protest his arrest for alleged sedition earlier this month. Mr Chun's health is deteriorating and he was taken last night to hospital, where he could receive emergency transfusions of nutrients.

Mr Rha is associated with the Chun and Roh administrations during which he held important economic posts, including deputy prime minister for economic affairs. He was also a former president of Haitai Confectionery and Hankook Tire, two leading companies.

As national unification minister in the Kim administration, Mr Rha sided with business against conservative hardliners in supporting South Korean corporate investments in North Korea.

In another sign of co-operation with business, Mr Kim dismissed Mr Han Lee-hon as his chief economic adviser. Mr Han had favoured curbs on the growth of conglomerates.

The personnel changes reflect the priority Mr Kim is placing on steady economic growth ahead of crucial general elections next April that threaten the government's parliamentary majority.

Mr Rha replaces Mr Hong Jae-hyong, a popular minister recruited to stand as a ruling party candidate in the April polls. Mr Rha's replacement as national unification minister is Mr Kwon O-kie, president of Dong-a Ilbo, a leading Korean newspaper.

The rest of the cabinet reshuffle was limited to relatively minor posts. Remaining untouched were such key ministries as foreign affairs, defence, trade and industry, justice, labour and national security.

The composition of the cabinet seems to fall short of Mr Kim's promise to appoint a new generation of younger ministers. The average age of new cabinet appointees is 56.6 years, only five months younger than the previous cabinet.

The new cabinet contains fewer politicians than any previous one during Mr Kim's administration. Its members mainly consist of technocrats and professors.

Gerard Baker assesses the liquidation package for housing loan companies

Politics taints Japanese bailout plan

Given the timing it was perhaps inevitable that its critics would brand it a turkey, delivered oven-ready for Christmas. But the Japanese government's long-awaited liquidation package for the country's crippled housing loan companies certainly looks like a curious creature that may not prove to everybody's taste.

The deal, announced in the early hours of yesterday after a late night cabinet session, was already provoking squawks of protest yesterday. The country's leading banks, asked to bear the main burden, are deeply unhappy at the outcome, and may yet reject some of its more important details.

But the loudest objections to the scheme seem likely to come from the public. For the first time the government has agreed to spend large sums of money on what amounts to a banking bailout – a risky move in a country where banks are unpopular.

The finance ministry did have an unenviable task. The principal difficulty it faced was adjudicating between the rival claims of the country's politically powerful agricultural co-operatives and the main banks.

The housing lenders, or *jusen*, were founded by some of the leading banks in the 1970s. At first they were meant to be residential mortgage lenders but, like most financial institutions, they were carried away on the wave of speculative property lending in the "bubble" economy of the late 1980s. Collapse of property values soon followed and by earlier this year it was clear that they were bankrupt.

But no agreement could be found on how to dispose of them. The problem was that the largest group of creditors were agricultural co-operatives. They refused point blank to accept any losses from their heavy lending to the *jusen*. The banks argued that the bankruptcies should be treated like any other, with creditors losing some of their claims in proportion to their total lending to the companies.

But that would have dealt a heavy blow to the farmers. Yesterday finance ministry officials said the agricultural co-ops would have been swamped if they had been forced to accept their full share of the losses. Perhaps even stronger arguments were deployed in the form of the political weight of the farming lobby, a big supporter of the largest coalition member, the Liberal Democratic party.

The proposal approved by the government is in two parts. In the first phase, to begin next spring, irrecoverable loans of Y6,410bn ($62.8bn) will be disposed of. The founder banks will have to write off all the loans they had outstanding to the *jusen* – Y3,500bn. Other banks which lent to them will lose just less than half their total claims – Y1,700bn.

But the agricultural institutions were asked to give up just Y1,170bn of their Y5,500bn in claims. Even that proved too much. They eventually said they would accept a mere Y530bn as their "contribution", less than a tenth of their total lending.

Enter, reluctantly, the taxpayer as the government put up the missing Y680bn. But there is much more public money to come.

The second phase of the liquidation will see the supposedly potentially recoverable loans of the *jusen* – nearly Y7,000bn – transferred to a new body, apparently modelled on the US Resolution Trust Corporation which disposed of the problem assets of savings and loans institutions in the early 1990s.

But how much of the outstanding "performing" assets will actually prove to be recoverable is a moot point. The finance ministry says a further Y1,240bn is likely to be lost, a figure that invites scepticism. The value of the collateral of the loans has been over-estimated in the past and land prices are still falling.

The new institution will be financed with low-interest loans from the banks and agricultural co-ops, and with some capital from the public sector. The costs of any further losses will be carried half by the banks and others, and half by the government. That means the public's ultimate contribution in all will be at least Y1,300bn, and possibly much higher.

That could provoke a real political fight. Though the governing coalition parties stood behind the deal yesterday, a popular outcry against what amounts to a blank cheque for failed banks could yet undermine it.

Anxious to assuage that criticism, the LDP offered up some sacrificial lambs yesterday. Party leaders said they would press for the punishment and removal of ministry officials found to be responsible for the lending débâcle as an important part of the bailout package.

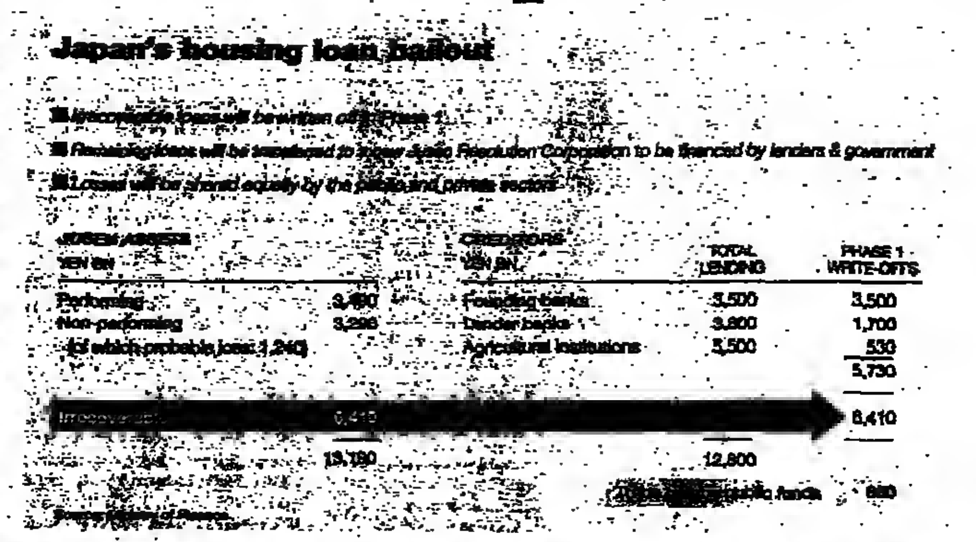
The banks themselves have still not agreed to the measures, and are expected to continue last minute haggling. The founder banks have grudgingly accepted the huge write-offs in phase one of the scheme, but they are still refusing to accept the unquantifiable losses that may occur in phase two. The non-founding banks are also aggrieved at the burden they are being asked to carry.

They had threatened to take the issue to bankruptcy court where, they believed, they would have won a standard bankruptcy settlement with rather less in costs for themselves. But it was always an unrealistic threat. Litigation would be protracted and would merely fuel domestic and international uncertainties about the financial system as a whole.

Nonetheless, some banks will have difficulty absorbing the costs. The *jusen* losses of the trust banks and long-term credit banks could be more than double their projected operating profits for the current year. Weaker banks would be forced to dip into special reserves to meet those losses, or come dangerously close to minimum capital levels.

A comprehensive solution to the *jusen* problem has long been regarded as essential by many in the financial markets to restoring health in the system. And though yesterday's plan goes part of the way towards eliminating the problem, uncertainty about political opposition and what will arise in the second phase means it has stopped short of being a complete remedy.

There is one group of big winners, however. An unknown but apparently substantial part of *jusen* bad loans were advanced to organised crime syndicates, the *yakuza*, who dominated some sectors of the property market in the bubble years. For obvious reasons those loans have proved some of the hardest to collect. Now the government is helping the frightened lenders write them off as uncollectible. It may be the first ever publicly financed debt forgiveness scheme for the mob.



Government has agreed to spend a lot of money on what amounts to a banking bailout – a risky move in a country where banks are unpopular

Philippine inquiry into maid's death

With the execution of a Filipina maid in Singapore last March still a recent memory, Philippine officials yesterday began an inquiry into the death of another Filipina maid there, AP reports from Manila.

President Fidel Ramos ordered the investigation after Philippine medical examiners disagreed with Singaporean doctors on what caused Ms Angelina Palaming's death.

Singapore police reported that the maid committed suicide on December 7 by jumping from the ninth floor apartment of her employer. But medical examiners of the National Bureau of Investigation of the Philippines reportedly found evidence disputing the suicide claim.

The case could revive criticism in the Philippines about treatment of Filipino maids in Singapore, an issue that became a cause-célèbre in March when Ms Flor Contemplacion was hanged for two murders. Filipinos said Ms Contemplacion may not have committed the murders and accused Singapore officials of rushing to justice.

Ms Palaming, 28, who baby-sat for a family since 1991, reportedly took along her four-year old ward in her leap to death. Relatives, however, suspected foul play, saying the boy was not even injured.

Mr Ramos and Mr Go Chok Tong, Singapore's prime minister, have agreed to restore full relations by January. Both leaders pulled out their ambassadors at the height of anti-Singapore protests in the Philippines over Ms Contemplacion's execution.

ASIA-PACIFIC NEWS DIGEST

Australian union roll-call falls

Australian trade union membership fell 138,900 in the year to June, according to government statistics published yesterday, indicating the traditionally powerful union movement is losing members at a rate of about 2,500 a week. Overall, about 40 per cent of the workforce now belongs to a union, against 52 per cent five years ago. The decline has been more noticeable among men.

The Australian Council of Trade Unions challenged the figures, saying the much sharper-than-expected fall did not accurately reflect union membership. The figures were based on perceptions of union officers and "may reflect a variety of considerations". The union grouping has made a membership drive one of its top priorities. The latest figures also give a rationale for the ACTU's recent campaign against employers, such as the mining group CRA, which has sought to move unionised workers on to staff contract. *Nikki Tait, Sydney*

World Bank loan for Pakistan

The World Bank has agreed a $350m loan to help finance the $2.25bn Ghazi-Barotha power project in Pakistan, one of its first large hydro-power projects since it was forced to withdraw from the Arun Dam scheme in Nepal this summer. The bank said this was the first such project in which an independent panel of environmental experts and social scientists had guided preparation work from the start. Only 899 people are being resettled for the 1,450MW project. Pakistan's energy demand is expected to increase 6.7 per cent a year to 2008. *Peter Montagnon, London*

Thailand boom set to continue

Thailand's export-led economic boom looks set to continue, the World Trade Organisation says in a report released yesterday which praises the country's moves to liberalise its economic and trade regime. Over the past decade, Thailand has been one of the world's fastest-growing economies: gross domestic product rose by more than 11.5 per cent on average between 1986 and 1990 and, after financial tightening, by more than 8 per cent a year from 1990 to 1994.

The boom has also led to rising costs, environmental problems and overloaded infrastructure, forcing manufacturing industry to move into higher-value added areas, the WTO secretariat notes. Thailand is among the world's top 20 exporters of services, predominantly tourism. But it has run into criticism from Washington for doing too little to open its financial services sector, despite the Thai government's plans to make the country a regional financial centre. Japan and the US remain Thailand's largest individual trading partners. *Frances Williams, Geneva*

India orders inquiry into Reliance share duplicates

By Shiraz Sidhva in New Delhi

The Indian government yesterday ordered a probe into the issue of duplicate shares by Reliance Industries, the country's largest private sector company.

The inquiry follows persistent demands by opposition leaders in parliament that a thorough probe be conducted into the issue, which sparked off a row between Reliance and the Bombay Stock Exchange nearly a month ago. Reliance had threatened to delist itself from India's largest bourse after a three-day suspension as punishment for alleged malpractice. The dispute was eventually resolved.

Mr Manmohan Singh, finance minister, said yesterday that the probe would be conducted jointly by the Securities and Exchange Board, the government's stock market watchdog, and the Department of Company Affairs. The investigation would examine two sets of transactions by Reliance, both involving the issue of duplicate shares. One of the transactions involves shares purchased by the Unit Trust of India, the country's largest mutual fund.

Mr Singh said the government had ordered the probe because it was determined to ensure that the country's capital markets functioned in a transparent and efficient manner and that the interests of investors were fully protected.

Reliance has denied charges that it knowingly issued fake shares to manipulate the market and said it welcomed the probe. It has maintained that shares were issued because an investor said the original scrip had been mislaid.

Opposition leaders in parliament said the probe into Reliance was called to defuse attention from an unprecedented impasse between the opposition and the ruling Congress party.

Opposition parties stalled parliamentary business for the 11th successive day yesterday, pressing their demand for a parliamentary inquiry into the way tenders to private companies are being conducted for the operation of telecommunications services.

Some MPs had alleged last week that Reliance had a stake in Himachal Futuristic, a small company which they claim has unduly benefited from a sudden change in rules and the government's subsequent decision to call for a second round of bidding by January 1.

Reliance, whose joint venture with Nynex of the US is among companies which lost out because of the change of rules, has denied the charges.

NEWS: INTERNATIONAL

Encryption rules to be prepared

By Andrew Jack in Paris

Representatives of international business and government yesterday agreed to draw up guidelines on encryption, a system which allows computer users to transmit information electronically with little risk that it can be intercepted and understood by unaothorised "hackers".

The meeting, which was held st the International Chamber of Commerce in Paris, could lead to formal propositions prepared jointly hy husiness and government organisations that could be ready by as soon as next summer.

Yesterday's meeting did not have any formal legal authority, but was highly significant as the first forum where so many representatives of governments, businesses and computer experts met to discuss developments in encryption.

Highly sophisticated encryption technology already exists in a number of countries including the US and Sweden. In the US, companies already have access to these programs. A growing number of businesses – led by the banking sector – are demanding access to these programs.

However, many governments, including that of the US, have resisted permitting tha technology to be exported because they fear it will fall into the hands of organised crime and terrorist organisations.

They have demanded that they should be able to "hack" into computer transmissions for counter-intelligence and criminal investigation work, in the same way that they can conduct telephone-tapping exercises.

An important conclusion of yesterday's Paris meeting was that business agreed in principle to allow such hacking to take place as long as sufficient safeguards were in place and "electronic search warrants" had been issued with proper judicial approval.

A number of governments appear willing to permit relaxation of export controls on sophisticated encryption devices as long as these safeguards are in place.

Among the issues that experts on both sides need to resolve are the ways in which "keys" allowing computer transmissions to be decoded would be handled.

A number of business organisations have discussed the use of third-party organisations, which would be independent of government, would have the keys and would hand them over to government investigators when demands were justified.

However, the organisations still have to resolve a number of issues, including how these custodians could be made legally liable for any unauthorised access to this information and for the costs of its misuse.

Court clears way to final BCCI settlement

The London-based UK liquidators of the Bank of Credit and Commerce International have a memento of its collapse in the lobby of their offices near the High Court. It is the metallic nameplate from BCCI's headquarters, taken in the hectic days after the bank's closure at noon on July 5 1991.

There must have been times in the chaotic early days after the bank's failure, and the subsequent discovery of massive fraud, when the liquidators thought it might be the only asset they would have to distribute to an estimated 250,000 creditors owed $14bn (£8.8bn).

But yesterday, more than four years later, a brighter picture emerged as a court in Luxemhourg finally cleared a worldwide settlement for creditors. While the technical possibility of further legal barriers still exists, most parties to the BCCI settlement now aee a clear road ahead.

The debts of the bank, initially estimated at $14bn, have been reduced to $10bn. This is because claims against the bank have been waived as part of a complex series of agreements which have also hrought in funds for the liquidators to distribute to creditors.

Assets have been swelled by several big contributions from third parties. These include the $1.8bn from the government of Abu Dhabi, the bank's principal shareholder, as well as $243m so far from US authorities, and more than $400m flowing from an agreement with Sheikh Khalid hin Mahfouz of Saudi Arabia. The Abu Dhabi agreement alone included an undertaking to waive a potential £2.2bn lawsuit against the liquidators.

The total assets of the liquidation should stand, after costs, at $3.3bn by April 1996. The liquidators estimate that 100,000 creditors are covered by the settlement and entitled to share in these assets – although other creditors can elect to join. The liquidators plan a first dividend of "at least" 20 per cent, although they will face inevitable calls for it to be higher. By the end of the year they should be able to make a further payment.

The end of the beginning:

The long road to a settlement for the creditors of BCCI

- July 1991: Bank closed with liabilities of $14bn.
- February 1992: First creditors agreement initialled.
- December 1992: Agreement blocked by appeal to Luxembourg court.
- October 1993: Luxembourg court upholds appeal.
- July 1994: Second agreement initialled.
- April 1995: Agreement blocked by four former employees in appeal to Luxembourg court.
- November 1995: Appeal withdrawn.
- December 1995: Luxembourg courts allows agreement to proceed.

In the long term the liquidators see a final dividend falling within the region of 30-40 per cent. While caution has marked all forecasts so far, there is an expectation that the final figure will be at the top end of this range. But this is not the end of story – it is only the end of the beginning for the liquidators.

The proceeds of legal actions undertaken by the liquidators on behalf of creditors could eventually flow out from the courts. At present Touche Ross is trying to establish that it has a case against the Bank of England alleging that it failed in its duty as a regulator. A similar action stands against the IML – the Luxembourg regulator.

Furthermore, Touche Ross is taking action against the suditors of the bank – the Big Six accountancy firms of Price Waterhouse and, to a lesser extent, Ernst & Young. The proceeds from such actions, if successful, could significantly swell the liquidation's coffers. The action against Price Waterhousa, for example, stands at $3bn hut may well be settled for far less.

The liquidators will not speculate about the eventual dividend inclusive of legal actions. Much depends on their success, and that of many others. So far the BCCI saga has prompted more than 2,000 legal actions, relying in part on 150m documents. But observers believe that court proceeds, or "contingent assets", may swell the final dividend to 50 per cent.

One reason for the reluctance of the liquidators to predict dividends is that no static figure exists for the number of creditors. If the settlement they are offering proves attractive ennugh, then creditors covered by other agreements, such as those in India, can switch into it, swelling the numbers significantly.

Whila this wonld initially depress the dividend, the new creditors would also bring with them any BCCI assets ring-fenced from the global settlement.

Tha settlement cleared yesterday by the courts in Luxembourg covers 35,000 creditors in the UK. Ahout 18,000 of these have already been compensated, to some extent, hy the Deposit Protection Board, which administera funds gathered from the UK's commercial banks. In its turn, the DPB will make a claim on the liquidators for the money it has paid. Under that plan sterling deposits of up to £20,000 in BCCI were met to a level of 75 per cent.

Yesterday there was understandable relief among the liquidators, in the UK, Luxembourg and the Cayman Islands, that the worldwide settlement looks ahont to bear fruit at last. They will point to the prohlems of organising an insolvency in 69 countries as one of the reasons for the slow progress since 1991, along with the twn appeals which interrupted the court process. As far as they are concerned the case of BCCI is the most complex liquidation ever attempted of a glohal financial institution.

Jim Kelly

Mission to seek reform in Nigeria

By Michela Wrong

Commonwealth members meeting in London to decide what action to take against Nigeria's military regime yesterday agreed to send a ministerial missinn there to push for reform, but stopped well short of backing oil sanctions called for by South Africa.

The Commonwealth Ministerial Action Group, appointed at the meeting in Auckland that last month snspended Nigeria after Mr Ken Saro-Wiwa, the minority activist, was hanged, told a press conference the foreign ministers of Ghana, Jamaica, Malaysia, New Zealand and Zimbabwe would "pursue dialogue... at the highest level" with Gen Sanl Abacha's government.

Only if that mission was seen to fail would harsher measures – such as a freeze on the leadership's foreign assets, a crackdown on new investment and export credits and oil sanctions – be considered.

Commonwealth officials say the united stance adopted in Anckland seven weeks ago has splintered. President Nelson Mandela of Sonth Africa, who favoured a cantious approach before the hanging, is pressing for an oil embargo. But West African states such as Ghana and Sierra Leone, whose troops form part of the Nigerian-dominated Ecomog peacekeeping force in Liberia, are pushing for moderation.

Israelis bypass Palestinian areas

By Mark Dennis in Bethlehem

Israel completed a big bypass road around Bethlehem yesterday, preparing for its withdrawal from the town in time for Christmss hy allowing more than 20,000 Israeli settlers to skirt the soon-to-be-autonomous area.

Israel is expected to hand over control of Bethlehem to the Palestinian Authority today, two months after workers began around-the-clock construction on the 9km road that will ferry southern West Bank settlers to Jerusalem.

The bypass roads, part of the September agreement extending Palestinian rule in the West Bank, are just one phase of an estimated $1hn (£633m) move that is stretching an already tight hudget. But the Bethlehem hypass and 15 others being huilt throughout the West Bank underscore Israel's paramount concern during the delicate interim phase of the 1993 Oslo Accords: the safety of individual Israelis, especially the 130,000 settlers living in the West Bank.

"The existence of the agreement is dependent on and continues to depend on security of Jews in Judea and Samaria," said Mr Binyamin Ben Eliezer, minister of construction and housing, at the road's opening ceremony yesterday. "The work done on this road will lead to a maximum reductioo of... assaults between Jews and Palestinians."

Some Palestinians, however, fear the roads may bave a much more important long-term impact: the creation of a

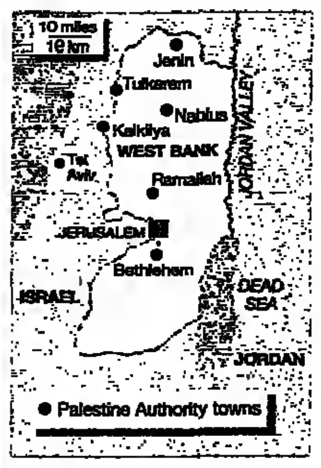
Palestinians bang a Palestinian flag on the Cburch of the Nativity in Bethlehem's Manger Square yesterday AP

"cantonised" West Bank. altbougb negotiations on the final status of the West Bank are not scheduled to begin until May, many see de facto borders rising in the rihbons of asphalt. "The Israelis have surrounded the Palestinians with roads, stopping the growth of cities," said Mr Khalil Tafugji, a Palestinian geographer.

The Israeli Public Works Department is huilding the initial 80km of hypass roads for nearly $100m. In addition, main arteries not designated as hypass roads are planned as part of general infrastructure improvements. The most impressive is s thoroughfare, called Highway 60, designed to run from the southern Israeli town of Beersheva north through the entire West Bank to Nazareth in the Galilee.

Because of its uncertain fate building has been conceotrated on a Shk30m (£6.3m) hridge and tunnel complex west of Bethlehem. which will serve as a ring road around Jerusalem north to the Palestinian town of Ramallah, encompassing many Palestinlan neighbourhoods and creating what Mr Tafugjl calls a geopolitical boundary for the holy city.

The hypass roads will allow



Israelis to whisk through the West Bank without crossing populated Palestinian areas. The wide, smooth highways that already serve such a function for many settlements are a far cry from the narrow, rutted roads that wind through the undulating topography of the West Bank.

Bypass roads have already been completed around the newly autonomous towns of Jenin, Tulkarm and Kalkilyah and completion of roads around Ramallah and Hebron is near. Roads leading from smaller, isolated settlements should be completed by spring, according to Israeli officials.

Mr Ben Eliezer says some of the roads will eventually be turned over to the Palestinian Authority. But Mr Tafugji is not so sure. "I don't see the Israelis spending so much money on the roads, only to turn them over to us any time soon," he said.

NEWS: WORLD TRADE

Honda's production tilts overseas

By Michiyo Nakamoto in Tokyo and Haig Simonian in London

Honda is set to become the first Japanese carmaker to producs more vehicles abroad than at home next year in a movs highlighting the accelerating internationalisation of Japan's motor industry.

"The shift of production overseas is an important long-term trend necessary to avoid the impact of exchange rate fluctuations," Mr Nobuhiko Kawamoto, president of Honda, explained yesterday. The company expects to build 996,000 vehicles overseas in 1996, compared with 975,000 units at home.

Overseas production will be boosted hy the decision, announced this week, to prodoce a new minivan (people carrier) for the North American market at an existing factory in Canada. Capacity at the plant will be doubled to 240,000 units a year at a cost of C$300m (US$219m), Honda said yesterday.

Honda's Canadian investment coincided with news thst Nissan, Japan's second largest carmaker, would set up a Y5bn ($50m) transmission assembly plant in Tennessee in the US. The new facility will have an annual capacity of 300,000 units and will begin production in the spring of 1998.

The two announcements reflect concerns among Japanese car companies to step np their overseas manufacturing as a cushion against the high yen, which has hit the competitiveness of direct exports.

Overseas production has also helped allay trade frictions and allowed carmakers to respond more flexibly to local market needs. This month, Toyota, Japan's biggest carmaker, said it would start building pick-up trucks in indiana – its fourth US production site.

All three Japanese companies have focused on the US and the UK as their bases for developed car markets. Output in the US has risen steadily in recent years: the new Canadian expansion will take North American output from Honda alone to 840,000 units a year. in the UK, meanwhile, production hy Japanese car companies will reach more than 500,000 units this year, and should hit 650,000 units by 1999.

Honda, which was one of the first to produce abroad, remains the most international of Japan's three leading carmakers. Its overseas production is planned to increase hy 13 per cent next year, while direct exports should drop by nearly 20 per cent in 1996, after a 15 per cent fall in 1995. Meanwhile Toyota expects overseas production to rise 9 per cent next year to 1.37m units after a 20 per cent increase this year.

By contrast, Nissan, one of the first Japanese carmakers to shift production abroad, has said it does not expect a significant increase in overseas output next year. However, it said exports would fall marginally to 580,000 units from the 599,000 forecast for this year.

The car companies are also gearing up to increase their domestic sales to meet growth forecasts of about 5 per cent next year.

See Editorial comment

Mitsubishi Dutch production to soar

By Haig Simonian, Motor Industry Correspondent

Mitsubisbl Motors, the latest Japanese car company to start bnilding vehicles in Europe, yesterday said output at its NedCar joint venture with Volvo of Sweden and the Dntch government would jump to 130,000 units next year from 21,000 in 1995.

NedCar is based at a Volvo-owned plant in the Netherlands, which has been restructured for the joint venture. The company has recently started huilding the Mitsubishi Carisma, a five-door family hatchback, and a Volvo model based on the same platform but differently styled.

Mitsnbishi, which is the third higgest carmaker in Japan, has forecast Carisma ontpnt should rise to 50,000 units next year and reach 100,000 in 1997.

The company has been expanding its European sales network to handle the additional vehicles from the new plant. Mr Stephen Dixon, managing director of Colt Car, which imports Mitsubishi in the UK, said the company had targeted Britain, Germany and the Netherlands as its main markets for the new model.

Mitsnbishi claims the Carisma is the first Japanese car designed exclusively for the European market and has a European content nf 85 per cent from the start of prodnction. The new model was jointly developed at the group's Japanese headquarters and at a European researcb and development centre near Frankfurt.

Mitsubishi has paid one third nf the Fl 3.4bn ($2hn) invested in NedCar, based at Born, near Maastricht, since the joint venture was formed in 1991. Most has been spent on restructuring the plant and installing more modern facilities, including Japanese heavy presses and a new water-based paint sbnp.

Many of the plant's workers have been sent to Japan for two months' training at Mitsubishi's Mizushima factnry, while up to 400 Japanese staff have visited Born for shnrt periods to assist production.

Japan set to put 'Asia car' firmly on road

Motor industry is trying hard to consolidate its lead in east Asia, writes **Michiyo Nakamoto**

As part of its move towards expanded production ahcoad the Japanese motor industry is on a drive to consolidate its lead in east Asia.

Earlier this month members of the Japan Automobile Manufacturers Association toured six south-east Asian countries with a hrief to strengthen ties with local industry members. The tour, the first of its kind in the region, follows a visit last month by Mr Hiroshi Okuda, president of Toyota, to China and Vietnam to bolster Toyota's presence in two promising markets in the region.

"We believe that there is considerable potential for growth in the region," says Mr Koji Hasegawa, a director at Toyota in charge of Asian operations.

By the end of 1997, demand in the Asia-Pacific market is likely to exceed the 7.5m units expected to be sold in tha Japanese market in that year, Mr Nobuhira Tsukahara, president of Mitsubishi Motors, helieves.

Japanese carmakers are well positioned to take advantage of that growth, baing close by and already having an established presence. "We have been in some of these markets for as long as 30 to 40 years," says Mr Hasegawa.

For example, in Thailand, the region's largest vehicle market, Japanese brand names have a market share of more than 90 per cent. Toyota alone enjoys 27 per cent. Japanese cars also dominate the markets in Indonesia the Philippines.

In Malaysia, Mitsuhishi Motors boasts a share of more than 58 per cent, including cars mada hy Proton, the Malaysian carmaker in which it has an 8.7 per cent stake.

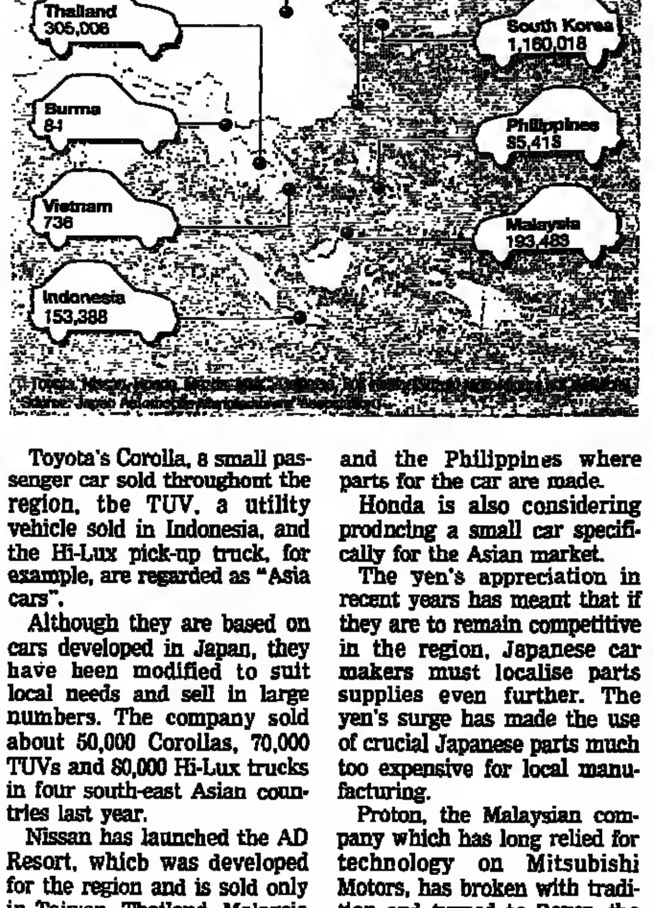
Mitsubishi Motors wants to raise annual car sales in the Asia-Pacific region hy 75 per cent to 900,000 units hy the year 2000.

It will soon start selling passenger cars and trucks in Burma and next year will start assemhly of small passenger cars in Vietnam.

Toyota is building a second plant in Indonesia with the aim of boosting production capacity from 80,000 last year to 150,000 by 1998.

Increasingly, the focus of Japanese carmakers is not just on raising production but on strengthening their position in these markets with vehicles tailored specifically to regional needs. Many Japanese manufacturers are developing vehicles – sometimes referred to as their "Asia car" – specifically for the Asian market. They hope local consumers would view sucb models almost as "national cars".

Japan's Asian vehicle production



Toyota's Corolla, a small passenger car sold throughont the region, tbe TUV, a utility vehicle sold in Indonesia, and the Hi-Lux pick-up truck, for example, are regarded as "Asia cars".

Although they are based on cars developed in Japan, they have heen modified to suit local needs and sell in large numbers. The company sold about 50,000 Corollas, 70,000 TUVs and 80,000 Hi-Lux trucks in four south-east Asian countries last year.

Nissan has launched the AD Resort, whicb was developed for the region and is sold only in Taiwan, Thailand, Malaysia and the Philippines where parts for the car are made.

Honda is also considering prodncing a small car specifically for the Asian market.

The yen's appreciation in recent years has meant that if they are to remain competitive in the region, Japanese car makers must localise parts supplies even further. The yen's surge has made the use of crucial Japanese parts much too expensive for local manufacturing.

Proton, the Malaysian company which has long relied for technology on Mitsubishi Motors, has broken with tradition and turned to Rover, the UK-based carmaker, for engines. It also agreed a deal to make a 1,100cc car using technology from Cltroen, tha French company.

To maintain their competitiveness Japanese carmakers are speeding up efforts to take advantage of an agreemant among countries belonging to the Association of South East Asian Nations that makes it easier for parts made in one country to be used in other member countries.

Toyota, for example, has set np a system of division of labour among its various facilities in the region whereby it manufscturers diesel engines in Thailand, steering systems in Malaysia, engines in Indonesia and transmissions in the Philippines. Tha system enables Toyota to take advantage of volume production and lower costs.

Meanwhile, Toyota's Mr Okuda has indicated that a more aggressive move into China will be a priority during his tenure as president. Since he took office, Toyota raised its stake in Daihatsu, s small-car maker which already makes passenger cars in Tianjin, and is assisting in plans to raise capacity at Daihatsu's joint venture.

But Japanese carmakers remain wary of tha relatively undeveloped Chinese market and are cautious about large investments there. Mr Hasegawa points out, however, that slow as they may be Japanese companies see investment decisions as a long-term commitment.

WORLD TRADE NEWS DIGEST

Mexican trucks row hits Nafta

A row over the right of Mexican trucks to transport cargo in the US is souring relations between Mexico City and Washington, following a US decision to delay the opening of its transport industry under the North American Free Trade Agreement.

Under Nafta, the free movement of trucks between Mexico, Canada and the US should have begun this week. On Monday, however, Mr Federico Peña, US transport secretary, said the US was postponing the implementation of the agreement until it was satisfied Mexican trucks fulfilled US environmental and safety standards.

"We have undertaken all the required legal and regulatory measures and we are ready for liberalisation," Mr Carlos Ruiz Sacristán, Mexico's transport and communications minister, said on Monday. Mexico has asked the US to reconsider its decision to postpone the opening of its transport industry.

in the US, the Teamster trucking union has lobbied strongly against the entry of Mexican trucks, arguing that they are unsafe, that Mexican drivers exceed US limits on driving hours, and that they are not adequately trained in handling dangerous cargo. *Leslie Crawford, Mexico City*

Funding for satellite phones

GlobalStar, one of a number of consortia competing to develop hand–held satellite telephone services, said yesterday it had raised about 70 per cent of the funding required for its project.

It also said it had signed agreements with 73 countries for international service provision. Ground stations for the GlobalStar system are owned and operated by local or national telephone operators in each country taking the service. A number of other countries are expected to sign up in 1996.

GlobalStar said it had completed a five-year, $250m bank financing agreement, with Chemical Bank taking the lead. A further $600m would be required to complete the $2bn needed to lsunch 56 satellites into low earth orbit. *Alan Cane, London*

Brussels to hold ship aid ceilings

The European Commission is to maintain the ceiling for state aid for shipbuilders at 9 per cent of contract value for large vessels during 1996. The maximum aid for smaller ships costing less than Ecu10m ($13m) and for ship conversions will be held at 4.5 per cent.

An agreement within the Organisation for Economic Co-operation and Development to end shipbuilding subsidies, which was due to come into force on January 1 has been held up by delays in ratifying the accord by the US and Japan. It is now to come into effect by July 15 at the latest.

The shipbuilding aid scheme has been in place since 1986, when the maximum subsidy level was 28 per cent. *Charles Batchelor, London*

Mobile phones for Albania

In an attempt to beef up its ailing phone system, Albania's Mohile Communications Holding (AMC) has bought $8m worth of equipment to install the country's first GSM mobile phone network by mid-1996. The purchase from Germany's Alcatel Mobile Telephone Network was financed jointly by the Albanian government and the Albanian Savings Bank.

The initial network is designed to serve 8,000 subscribers in western Albania, about one third of the country, Mr Adrian Shehu, AMC general manager, said.

He said deliveries from the Stuttgart-based Alcatel subsidiary would start within three months and the network would be operational by next June. *Reuter, Tirana*

Decision on 'frivolous' law suits lies with Senate

House saves securities reform bill

By Maggie Urry in New York

The House of Representatives yesterday voted swiftly to override President Bill Clininn's veto of legislation which would reform securities litigation in the US, leaving it to the Senate to decide the bill's fate.

The bill was intended to end what are called frivolous class-action law suits against companies, which often follow a drop in a company's share price.

It would enable companies in make forward-looking statements and projections of profits in a "safe harbour" – meaning that, so long as risk factors were listed, the company could not be sued in the predictions proved wrong.

The draft legislation would also benefit advisers to companies, such as auditors. In the past, thesa have been found "jointly and severally liable" for a company's actions. That has led to advisers being made to pay damages if the company has gone into bankruptcy.

Under the terms of the bill, the advisers would be liable to the extent they were deemed responsible for the fraud.

So far, no date has been set for the Senate to vote on the bill, but it is expected to be mnch closer than the House's overriding 319:100 vote.

The bill has found support among companies, particularly those in the high-technology area which have suffered a large number of law suits. However, it has been opposed by lawyers who act for victims of fraud and by some investor groups.

Mr Clinton had been subject to fierce lobbying from both sides over the bill and, despite earlier indications that he would sign the bill into law, he vetoed it at 11.30 pm oo Tuesday, only half an hour before his deadline.

The Senate initially sent the bill to Mr Clinton by a majority of 65:30. There will now be intense pressure on a number of senators to change their vote so as to support Mr Clinton's veto.

However, those in favour of the bill claim that three senators who missed the last vote were supporters of the bill and said that they were confident of securing an overriding majority.

In vetoing the bill, Mr Clinton said be was in favour of its intentions but felt some of the details needed amendment. He would sign another bill, he said, if it took account of his suggestions.

"I am not...willing to sign legislatioo that will have the effect of closing the courthouse door on investors who have legitimate claims," his statement said.

The president believed the bill would tilt the balance between plaintiff and defendant too far in the latter's favour.

Although pleased that Mr Clinton had vetoed the bill, Ms Barbara Roper, director of investor protection at the Consumer Federation of America, said she was disappointed he had not gone further in his comments. She said that, even if the changes he proposed were made, "victims of fraud will still be under-compensated".

On the other side, the American *Institute of Certified Public* Accountants, which is in favour of the bill, said that, "by vetoing the bill, the president showed his long-standing loyalties in a small group of entrepreneurial lawyers".

In Britain, the Big Six accountancy firms have been monitoring the progress of the bill. They are pressing the British government to adopt similar reforms so as to restrict the liability of auditors.

Hopes of end to US shutdown dashed

By Jurek Martin, US Editor, in Washington

Four-part disharmony: (from left) Dole, Gore, Clinton, Gingrich at the White House this week AP

Conservative Republicans in the House of Representatives yesterday dashed, at least temporarily, hopes that the second partial sbntdown of the US federal government, now under way, could be ended within 24 hours.

Mr Leon Panetta, White House chief of staff, said after a meeting in the office of Mr Newt Gingrich, Honse Speaker, that conservatives had dug in their heels against the approach endorsed by the Speaker on Tuesday night, after a White House session with President Bill Clinton.

Mr Gingrich had said that, if a planned second round of talks in the White House yesterday afternoon proved satisfactory, he was prepared in put to the Honse a simple "continuing resolution" to let the government bave temporary and unconditional funding for about another week.

But he admitted, after the talks with Mr Panetta, "conservative Republicans did not like that".

One of their leaders, Congressman Tom DeLay of Texas, Repoblican majority whip, declared: "Read my lips – no CR [continuing resolution]".

Mr Panetta said he would report back to the president, but Republican resistance cast an immediate donbt over chances of a second White House sesston between Mr *Clinton, Mr Gingrich and Sen*ator Bob Dola, Senate majority leader.

The Speaker merely said: "We're trying to keep this low key at present".

This session had been meant to establish a negotiating process or "framework" on the wider balanced budget confrontation. Mr Mike McCurry, White House press secretary, noted the large remaining differences between the two sides oo issues such as taxation and federal health *insurance* programmes.

Mr Gingrich claimed the president bad accepted the principle of nsing the economic projections of the Congressional Budget Office, rather than the administration's numbers, in approaching the goal of a balanced budget within seven years.

Vice-President Al Gore, however, suggested the Speaker's comments reflected "a slight misunderstanding" over the use of CBO "*scoring*", which the Republicans consider an article of faith. He also said no timetable had been agreed for producing an agreement, though Mr Gingrich and Senator Dole insisted that a target of "the end of the year" had been accepted.

Several prominent Republicans reacted angrily to the vice-president's remarks. Mr DeLay said be was "tired of being jerked around" by the administration. This resentment clearly spilled into Mr Panetta's morning meeting.

Both sides, however, are under pressure to bring the second suspension of government business in a month to a quick end. About 260,000 federal employees have been laid off without pay all week and the impasse has attracted widespread criticism across the US.

The agreement to negotiate also did not prevent Mr Clinton from continuing to wield his veto pen. Yesterday, he was expected to send back to Congress unsigned the current defence bill, partly because its missile defence component would violate the 1972 anti-ballistic missile treaty with the Soviet Union.

Other objections covered restrictive anti-abortion language and the size of the bill, $7bn more than the $238bn he had requested.

An 'economically resilient' Latin America

Annual UN report on the region finds worst expectations confounded, writes **Imogen Mark**

Latin America is ending the year with moderate growth, inflation at its lowest level in 25 years, and export earnings 20 per cent higher than a year ago, the UN Economic Commission on Latin America and the Caribbean said yesterday.

The region has thus shown unexpected economic resilience and confounded tbe worst expectations that followed the aftermatb of Mexico's devaluation crisis.

According to its annual year-end economic report based on government figures and estimates, the region reduced its current account deficit from $50bn in 1994 to $34.5bn.

"Many observers expected a general collapse of external finance for the region in the wake of the Mexican debacle," Mr Gert Rosenthal, Eclac's general secretary, said.

The reason it did not happen, be added, was largely because of the swift reaction of the US government and tbe international financial agencies in support of Mexico and, to a lesser extent, Argentina. The compensatory flows from these sources, about $25bn, together with other flows, more than covered the outflows.

Besides this the reaction to the events in Mexico and Argentina showed the region had unsuspected reserves of vitality and adaptability.

Higher export earnings were a result of favourable terms of trade for the second consecutive year and belped the region's economic performance. Mr Rosenthal said that there were reasons to think that high world prices for a majority of the region's commodity exports would prevail, to a lesser extent, in 1996.

Growth in the region slowed to 0.6 per cent, from 4.6 per cent in 1994. But while Mexico and Argentina suffered negative growth, minus 7 per cent and minus 2.5 per cent respectively, Chile grew 8 per cent, Colombia 5.5 per cent, Peru 7.5 per cent, El Salvador 6.5 per cent, and Brazil 4 per cent. Another 11 other countries grew between 2 per cent and 5 per cent. The average, excluding Mexico and Argentina, is 4 per cent, only slightly helow the 1994 rate.

The success in reducing inflation – an average 25 per cent against 337.3 per cent in 1994 – was a more generalised trend, though ooe country, Brazil, had a disproportionate impact. The Brazilian stabilisation programme has brought down inflation there from 929 per cent for 1994 to 22 per cent in 1995. Mexico showed a sharp rise, however, from 7.1 per cent to 48.5 per cent.

Brazil took a significant share of the region's net capital inflows, which fell overall from $44.9bn to $22.4bn. Brazil's stabilisation and reform programmes helped spur capital inflows from $9bn in 1994 to $28bn in 1995. More than half tha total, however, was in stock market or short-term investments attracted by high interest rates.

Mexico, which was receiving flows of $27bn a year between 1991 and 1993 and $11bn in 1994, registered an outflow of $17bn in 1995. This was covered, however, by the financial support package led by the US.

Tha Eclac economists were cantionsly optimistic that Argentina, Mexico, and Uruguay, the one other country showing negative growth, would "regain the path of moderate growth with stability". They pointed to some underlying dangers for the region as a whole. The growth of recent years has not been capable of generating full employment or of solving the existing social problems.

Second, thay expressed doubts about what they described as "a davelopment pattern based on large external deficits, financed by short-term foreign capital and insufficient national savings, as well as economic policies that are not well enough co-ordinated and rely excessively on a few instruments".

Mr Rosenthal also warned of the risks posed by the fragility of the banking systems in six or seven countries, Mexico and Argentina among them. This was not least because of the tendency of governments to "socialise" bank losses, making fiscal policy management more difficult.

Preliminary Overview of the Latin American and Caribbean Economy 1995; Eclac, Servicios de Información, Edificio Naciones Unidas, Avenida Dag Hammarskjold, Casilla 179-D, Santiago, Chile

Congress to probe Salinas brother

By Leslie Crawford in Mexico City

The Mexican Congress has voted to launch an inquiry into the activities of Mr Raúl Salinas, elder brother of former president Carlos Salinas.

Mr Raúl Salinas was jailed this year while facing charges of murder, forgery and illicit enrichment.

In January, an investigative committee will begin to examine the financial records of Conasupo, the government marketing board for maize and other staple foods, in which Mr Raúl Salinas served as a director in 1985-91.

"This is the first time the Mexican Congress has decided to set up its own commission of inquiry," said Mr Adolfo Aguilar Zinser, an opposition member in the Chamber of Deputies. "We in the opposition want to prove that Congress can act independently, and that we are capable of conducting our own investigations."

As a first step, he said, Congress had ordered Conasupo's archives sealed, on suspicion that critical documents were being shredded.

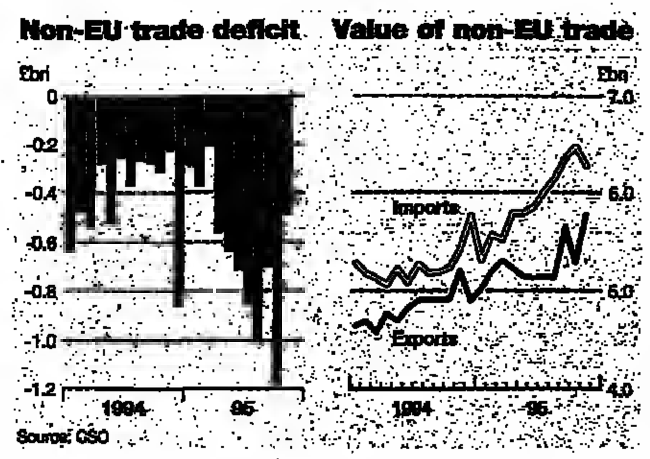
Mr Raúl Salinas is alleged to have accumulated a fortune during his time at Conasupo. During his brother's six-year presidency, which ended just over a year ago, Conasupo's annual budget more than doubled to the equivalent of $3bn, and the agency grew to become the fourth largest such entity after the Social Security Institute, the state oil monopoly Pemex and the federal electricity board.

Former and present government officials admit Conasupo was a bastion of corruption in an increasingly deregulated economy. Conasupo's main function was to buy maize at high support prices and then to sell it to tortilla producers at a low, subsidised cost. Agricultural officials say this inflated transactions at Conasnpo, which bought and sold maize several times over through a carousel of paper deals known as "the bicycle".

NEWS: UK

The economy Rate of money supply growth rises ■ Food and drink imports decline

Trade deficit with non-EU states halved



Source: CSO

By Graham Bowley, Economics Staff

Britain's exports surged last month while money supply growth overshot the government's monitoring range for the first time, official figures showed yesterday.

The data provided economists with evidence that the economy may be growing more quickly than they had previously thought.

The Central Statistical Office said that Britain's trade gap with countries outside the European Union more than halved in November as exports rose to a record level.

The visible trade deficit was £0.5bn ($0.77bn) compared with £1.2bn in October. Exports rose to £5.8bn from £5.3bo in the previous month while imports fell to £6.3bn from £6.5bn.

Half of the improvement in exports was dne to one-off erratic items – in particular the sale of a warship to Saudi Arabia, which was worth just under £150m. But the underlying deficit, excluding oil and erratic items, also fell sharply to £525m from £982m.

Meanwhile, the Bank of England said the annual rate of growth in M4, the broadest measure of the money supply, grew by a seasonally adjusted 9.3 per cent in the year to November up from an upwardly revised 8.9 per cent in October.

This was the highest rate since April 1991. It also takes tha annual growth rate of M4 above tbe top of tbe government's monitoring range for M4 of between 3 per cent and 9 per cent for the first time since the range was set up in the March 1993 Bodget.

Concern about strong M4 growth – which some economists believe is a good indicator of economic activity and of inflation – has been raised at recent monetary meetings.

It was cited by the chancellor as one of the reasons interest rates were cut by just a quarter of a percentage point last week – rather than half a point.

One of the main reasons for the high growth was increased bank lending to the government. The governmeot borrowed to meet the large shortfall between its public sector borrowing requirement and the amount raised from gilt sales.

In spite of the strong monetary growth, M4 lending by banks and building societies (mutually owned savings and loans institutions) was snbdued. It rose by 8.2 per cent in the year to November, down from 8.7 per cent for the year to October. Economists said this could mean that the acceleration in money supply growth might not contimie.

The CSO said the increase in exports was spread across all sectors, with particularly strong growth in semi-manufactured goods such as iron, steel and finished manofactured goods.

Imports of food, beverages and tobacco declined, reversing the previous month's large increase. There was also a big drop in imports of basic materials and sami-manufactured goods.

Imports of silver, mainly from North America, have been running at exceptionally high lavels, but halved last month to around £50m. But the statistical office said this was still above normal levels.

The CSO's estimate of the longer trend now shows exports rising slightly faster than imports with the deficit remaining unchanged. In the three months to November, exports rose by 8.5 per cent while imports rose by 6 per cent.

There were improvements on deficits with most areas.

Investment in overseas assets reaches record

By Graham Bowley

Iostitntional investmeot, which has been depressed since late 1994, recovered in the third quarter of this year as investment in oon-UK assets rose to a record. Institutional investors such as pension funds and insurance companies made a total net investment of £13.8bn ($21.25bn) in the third quarter, the Central Statistical Office said yesterday.

This is a sharp rise from the £8.9bn invested in the second quarter and marked a return to the levels of investment seen until the third quarter of 1994, the office added. Spending on non-UK securities such as overseas company shares surged to £4.8bn from £163m in the second quarter.

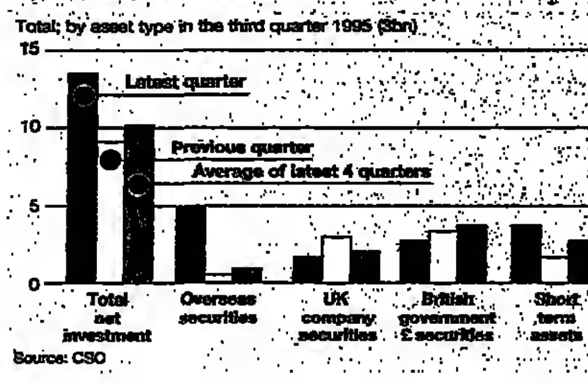
There was also a large rise in net investment in short-term assets such as treasury bills, which increased to £3.8bo in the latest quarter from £1.4bn in the previous three months. Bnt purchases of UK government bonds, or gilts, fell to £2.5bn, the lowest level for almost two years.

This reflected lack of issuance by the government and also the failed September gilts auction which was undersubscribed. Institutions' net investment in UK company securities also remained low at £1.5bn.

Economists said this reflected the spate of company takeovers in the UK this year as domestic investors were deprived of opportunities to invest in company shares as these were bought up in the take-over process. This in part prompted tbe shift in investment to the overseas sector, economists suggested.

Institutional Investment

Total; by asset type in the third quarter 1995 (£bn)



Source: CSO

Fish minister to fight quota cuts in Brussels today

By Deborah Hargreaves in London

Mr Tony Baldry, the UK fisheries minister, will arrives in Brussels today to fight severe cuts recommended by the European Commission for Britain's fishing quotas

Mr Baldry will argue with his European Union counterparts for rednctions in proposed quota cuts following the British government's defeat over fishing policy in the House of Commons on Tuesday night.

Mr Baldry said yesterday that the vote against the government in the House would not affect his negotiating position. "None of the realities of the negotiations have been changed by last night's vote," he said.

The commission, acting on advice from scientists, has proposed drastic cuts in next year's quotas for some species. Mr Baldry said he hoped to end up with a 30 per cent cut in the North Sea plaice quota rather than a 47 per cent reduction as proposed by the commission.

He said he would also argue for smaller cuts in hake and mackerel quotas. Fishermens' organisation have argued that the proposed cuts in quotas for next year could push a lot of trawler owners out of business. "We are arguing for a phased approach to reductions for some of the most savage cuts," said Mr Barria Deas, chief executive of the National Federation of Fishermens' Organisations.

Mr Deas said the North Sea plaice quota had already been reduced by 25 per cent this year. "It is impossible for any industry to live with a halving of its raw material in two years," he said.

The commission says quotas for many species must be cut drastically because of a sharp fall in fish stocks. "The same peopla who are blaming us now would blame us even more in five years when all the fish have disappeared," an official said.

But fishermen question the basis for some of the stock measurements put forward by the commission's scientific advisers. "I am genuinaly concerned there seems to be a sense of alienation between the fishing industry and scientific advisers," Mr Baldry said. "But we must base our decisions on the best scientific advice available."

Tories were sunk by absent friends

The government's defeat on fishing in tha House of Commons on Tuesday was blamed yesterday on the absence from the vote of two Conservative MPs, George Parker at Westminster writes. The two mistakenly watched the vote on television.

Government officials said the two MPs – Sir Michael Marshall and Mr Michael Spicer – thought the vote was at 10pm. But they watched horrified as they saw the government defeated hy two votes three hours earlier.

The presence of both MPs would have averted the defeat, which handed the opposition Labour party a propaganda triumph. A senior government official said: "Both of them are very contrite, and it is safe to say it won't happen again."

Party whips are said to have been "highly frustrated" that two of their most experienced MPs failed to turn up for the key vote. Both Mr Spicer, a former minister, and Sir Michael were first elected to the House in 1974.

Mr Spicer said he fully supported the government on the issue, but declined to comment on his failure to vote. Sir Michael was unavailable for comment. If both MPs had turned up, the vote on Labour's amendment - which criticised the government's fisheries policy - would have been tied. According to Commons precedent, the Speaker would then have cast her deciding vote for the government.

Meanwhile the greatest government anger was directed towards the two Eurosceptic Conservative MPs who voted with Labour – Mr Michael Carttiss and Mr Bill Cash – and the 11 who deliberately abstained.

Mr Michael Heseltine, deputy prime minister, said: "They have got to face up to a very simple question: are they trying to replace this Conservative government with a Labour government which will, in the simplest of their own terms, abandon all the safeguards that John Major has secured in Europe?"

Mr Tony Blair, the Labour leader, said: "The leadership election changed nothing and we see the parliamentary year ending as it began – in incompetence, division and chaos." Mr Blair was referring to the summer election in the Conservative party when Mr Major survived a challenge from one of his ministers who left the cabinet in order to stand against him.

Buy-out team plans big order for trains

By Charles Batchelor, Transport Correspondent

The first UK order in nearly three years for new main-line trains is expected to be announced within the next few weeks by Enterprise Rail, the bny-out team which has acquired the London, Tilbury and Southend (LTS) rail franchise. LTS runs trains from Fenchurch Street station in London to Southend 80km to the east of the capital.

Enterprise plans to renew its entire fleet of 30-year-old trains at a cost of several hundred million pounds by 2002. It will invite tenders to supply trains and then lease them either directly from a rolling stock manufacturer or through one of the three rolling stock companies which have been created in the pre-privatisation reform of the national rail network.

"British Rail could never have undertaken to make these investments," said Mr Chris Kinchin-Smith, managing director at LTS since 1993.

Great Western Holdings, the management group which has acqnired tha state-owned Great Western Trains company, is also studying plans to introduce new rolling stock, possibly using the tilting trains tried unsuccessfully by the national network in the early 1980s. These trains, now in use in several European countries, would cut 10 to 15 minntes off the three-hour journey between London and Plymonth in sonth-west England. The main Great Western lines run from London to Bath, Bristol, south Wales and the sonth-west England counties of Devon and Cornwall.

Both companies have made a commitment to introduce new rolling stock in return for longer franchises than the seven years awarded to the Stagecoach bus company over South West Trains routes. LTS has a 15-year franchise and Great Western a 10-year agreement.

Rolling stock orders have dried np because of uncertainty about the future of the railway in the run-up to privatisation. The uncertainty has forced ABB, the Swiss-Swedish engineering group, to close its factory in the northern England city of York.

The Enterprise management team was backed by two development capital groups, 3i and Gresham Trust, in its bid. They will hold 49 per cent of the equity. Enterprise will receive a state subsidy of £29m ($44.7m) in 1996-97. Subsidy will fall to £23.9m in 2002-3.

The Great Western management team was backed by FirstBus, the second largest bus company, and the 3i venture capital group.

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LEGAL NOTICES

No. 006940 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR REGISTRAR SIMMONDS

IN THE MATTER OF
MERCHANT RETAIL GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 6th December 1995 confirming the reduction of the Share Premium Account of the above-named Company by £3,312,000 was registered by the Registrar of Companies on 6th December 1995.

Dated this 21st day of December 1995

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AR

Solicitors for the above-named Company

In the Matter of
[illegible]
John W Powell - M T Bowell

In the Matter of
[illegible]
John W Powell - M T Bowell

PERSONAL

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UK NEWS DIGEST

Skills in short supply, say bosses

The number of employere reporting recruitment difficulties increased this year, with businesses blaming the lack of suitable recruits on poor attitudes to work and a lack of skills, says the government's latest analysis. Sixteen per cent of employers interviewed between April and July reported "hard-to-fill" vacancies compared with 11 per cent in 1994 and 6 per cent in 1993.

The number of hard-to-fill vacancies peaked in 1990, when 22 per cent of employers complained of the problem. Sectors experiencing the worst problems included the mining and construction industries and the finance and business sectors. Employers blamed their difficulties mainly on the quality of applicants, with inadequacies either on skills or their ettitudes.

Lisa Wood, Employment Staff

Plane deal signed for Harrier replacement

Britain has signed an agreement with the United States to develop e carrier-borne aircraft which could replace the Royal Navy's Sea Harrier in the second decade of the next century. Mr Nicholas Soames, armed forces minister, said yesterday a memorandum of understanding had been signed with the US defence department to develop e short take-off and vertical landing aircraft.

The UK has been forced to look towards the US for the project as no other European country is working on Harrier-style vertical take-off and landing aircraft.

● Defence ministers yesterday reprieved the naval repair dockyard in Portsmouth from closure, and announced it would offer the facility to the private sector. The decision to retain the Fleet Maintenance Repair Organisation will eeve np to 3,000 jobs in Portsmouth in southern England. The Ministry of Defence had considered switching naval repair work to the larger Devonport dockyard to the west.

Mr Soames told local MPs that be intended to press ahead with the market testing of the facility, and invitations to tender would be issued in the New Year. Mr Jack Dromey, national secretary of the TGWU trade union, said: "The market test threatens some job losses, but e disaster that would have blitzed Portsmouth has been avoided."

George Parker, Political Staff

Number of Names set to fall by only 2,000

LLOYD'S
LLOYD'S OF LONDON

The number of Lloyd's of London Names will fall next year by more than 2,000 – but there has been no rush for the exit, according to figures published yesterday by the 300-year-old insurance market.

The drop in Names – individuals whose assets have traditionally supported the insurance market – from 14,884 this year to 12,811 in 1996 is smaller than a year ago. That was despite uncertainties over the future of Lloyd's and fears that e downturn in the world insurance industry will hit profits. Six people have applied to become Lloyd's Names.

At the same time, extra capital is being invested by corporate members trading on the basis of limited liability. Overall, Lloyd's expects to be able to underwrite the same amount of business next year as in 1996. Mr David Rowland, chairman, said the figures were "a strong vote of confidence in Lloyd's at a time of radical change". However, the resilience of Names may also be because those resigning cannot recover funds held et Lloyd's until 1998 under the market's three-year accounting system.

Ralph Atkins, Insurance Correspondent

Former lawyer jailed for $7.7m theft from clients

Former lawyer Mr Gerald Ford, who stole £5m ($7.7m) from clients by over-billing them for probate work was jailed for 10 years at Maidstone Crown Court in south-east England yesterday. The judge who sentenced Mr Ford, founder of law firm Durnsford Ford Judge Croft, said he had cheated everyone who came his way. It had been as grave e case of dishonesty as could be found anywhere, he said.

Mr Ford had corrupted e junior partner in the law firm to aid him in the thefts, the judge added. The partner, Mr William Bew, was given a 15-month suspended sentence following his conviction for furnishing false information.

John Mason, Law Courts Correspondent

Technology centre for north-east England

The developing microelectronics sector in north-east England, which has recently won nearly £2bn ($3.06bn) of investment in new semiconductor production facilities by Fujitsu and Siemens, is to be strengthened by a new £16.5m technology centre.

The European Centre for Advanced Industries, e partnership between North Tyneside council, regional universities and the privete sector, is to be built et the Royal Quays development in North Tyneside. The project, to become operational in 1997, has been given the go-ahead following its allocation last week of £7.2m of European grant aid.

Chris Tighe, Newcastle upon Tyne

Welsh airport row leads to lost contracts

A squabble which is stalling expansion of the tiny Mid-Wales Airport near Welshpool has caused Mr Trevor Wheatley, chairman of Control Techniques, e leading manufacturer of electronic drives, to abandon possible $40m projects in the region.

Control Techniques, which was taken over e year ago by Emerson Electric of the US, is based at Newtown in central Wales where it has 600 staff. It is one of several local businesses which use the nearby airport for company flights but want to be able to use executive jets. Mr Wheatley said improved facilities were "essential for Control Techniques to service its ever-expanding European and Scandinavian subsidiaries".

He said one $10m project would have created 50 jobs and, while not guaranteed to come to mid-Wales, would certainly not be sited there without the improvements. "A further Emerson project, which I have been asked to consider in mid-Wales and involving 300 jobs and $30m, cannot now be considered for this area."

Roland Adburgham, Bristol

Novelty company pulls out of business

College Crackers, a company making traditional Christmas novelties and based in South Wales, has gone into administrative receivership. The privately-owned business, which has an annual turnover of ebont £4m ($6.16m), is understood to have lost about £1m in the past 12 months and to have asked Hambros, its banker, to call in receivers.

About 30 full-time staff are employed, with 300 to 400 on a seasonal basis and e similar number of homeworkers. Mr Philip Wallace, one of the joint administrators from KPMG, the accountancy firm, said: "The problem is partly cash-flow and partly that the cost of production has been unsustainably high in relation to the sales value. The actual trading was loss-making." The business was ecquired from receivership three years ago. KPMG will attempt to sell it as e going concern.

Roland Adburgham

Alternative Investment Market Stock Exchange relief greets junior partner's achievement

Eclectic mix of pioneers faces tests

By Christopher Price in London

Scottish milk bottlers, trendy café bars, Internet telephonists and third division football clubs are among the eclectic collection of winners and losers during the first eix months in the life of the Alternative Investment Market.

The new junior market, launched on June 19, has so far attracted 116 companies with a total market capitalisation of £2.22bn ($3.42bn).

This achievement will be greeted with some relief by the London Stock Exchange. Prior to Aim's launch, the threat of a boycott by many institutional shareholders hung over the new market and added to scepticism among some market commentators that it would struggle to attract investment.

However, the first eix months of trading has seen 451m shares traded, amounting to 24,746 bargains worth £227m. More than £69m has been raised by companies joining the market.

Encouragingly for both participants and investors, 72 companies have seen their share price rise, while 35 have declined and nine remained unchanged.

Oo average, Aim share prices have risen nearly 25 per cent. BDO Stoy Hayward, the eccountants, calculates that Aim shares have outperformed the FT-SE 100 by 27 per cent.

While institutional investors are etill largely absent from regular trading in the new market, they are increasingly being attracted to individual fund raising exercises.

"If it is the right company, fund managers are interested whatever the market," says Mr Jeff Ward, a partner at BDO Stoy Hayward with responsibility for Aim.

Mr Julian Palfreyman, a director et Winterflood Securities, agrees.

"Institutional investors were very sceptical to start with, but their interest in Aim is growing daily," he says.

Aim was developed by the stock exchange to fill what it perceived as a gap in its coverage for young companies. It was seeking a replacement for the rule 4.2 trading facility, which ceased in September, and the Unlisted Securities Market, due to close at the end of 1996.

The alternative needed to be cheaper and less demanding in its entry requirements than the main market and the USM, while providing better opportunities to raise money than 4.2 status.

However, the stock exchange was faced with e dilemma in drawing up its plans for the new market: how to relax the joining rules to attract as wide e range of companies as possible without compromising safeguards for potential investors.

Institutional reaction to the initial plans were hostile.

In particular, the decision to drop the role of sponsor – the main scrutinising position normally undertaken by e stockbroker or merchant bank – irked many in the investment community.

The stock exchange beefed up the policing role, introducing the position of "nominated adviser". Companies coming to Aim must be brought by an organisation from e list approved by the Aim euthorities.

There is currently e total 56 nominated advisers, including accountancy and law firms.

While this provided some comfort, investors must etill take into eccount that the Alternative Investment Market imposes no minimum on a company's percentage of shares in public hands, no minimum market value and no minimum trading record.

Despite these more lax regulations, the new market has managed to establish itself, helped by the fact that so far none of its members has run into difficulties.

With 87 of tha market's members having moved from the 4.2 trading facility – closed down by the stock exchange in part to boost Aim's chances of success – critics argue that typical entrants are long established companies rather than high-risk start-up ventures.

This trend is likely to continue over the next year as companies trading on the USM decide whether to transfer to the full list or Aim.

But other tests await the new market.

So far, Aim has benefited from a bull market, aided by the wave of mergers and acquisitions in the main market which have released fresh investment funds.

A bear market would drastically affect the performance of shares in the more illiquid stocks, of which Aim has more than a few.

The market must also cope with the emergence of competitors, eoch as Easdaq, the European exchange being leunched next year which hopes to emulate the success of Nasdaq in the United States.

In the meantime, growing confidence in Aim will see the launch of e market index by the Stock Exchange in the new year.

Beronsmead, which is launching an Aim investment trust in the new year, predicts nearly 200 companies will be listed on the market by next June.

The best performing stock on the Alternative Investment Market is Firecrest, lifted by its much-publicised move into the Internet. The edvertising groop markets software enebling internationel telephone calls to be made over the Internet for the cost of a local call.

Megalomedia, the medie group headed by Mr Maurice Saetchi, the advertising entrepreneur, also scored well. Formerly known as Graduate Appointments, it recently reversed into two media groups and saw its shares shoot forward on its return from suspension.

Formscan, a distributor of IT products for the printing industry, also attracted attention with some innovative products.

The worst performer was Scottish Pride, the milk group, as a result of tight trading, while London Fiduciary Trust, a gold mining group, reflected the volatility in the extractive sector.

The London Stock Exchange is to introduce an index to track the Alternative Investment Market in the new year, underlining growing confidence in the junior market, Christopher Price writes. The exchange said discussions on the actnal calculation of the index, which will be overseen by the FT-SE Actuaries Indices Committee, were continuing.

The move will be particularly welcomed by fund managers of the small but growing number of investment trusts hoping to focus on the new market. An Aim index would enable them to compare the market's movement with other market indices. It would also act as a barometer for the health of the market in reaction to macroeconomic developments.

Baronsmead, the fund management group owned by Ivury & Sime, is to launch the first investment trust based on Aim in the new year. Several others are under consideration. It is understood that the index will be constructed to filter out those aspects of Aim, such as particularly illiquid stocks and disproportionate market capitalisation, which might distort it. Mr Neil Austin at KPMG said: "An official index would give the market an overall measure and allow fund managers the means to compare Aim to other indices."

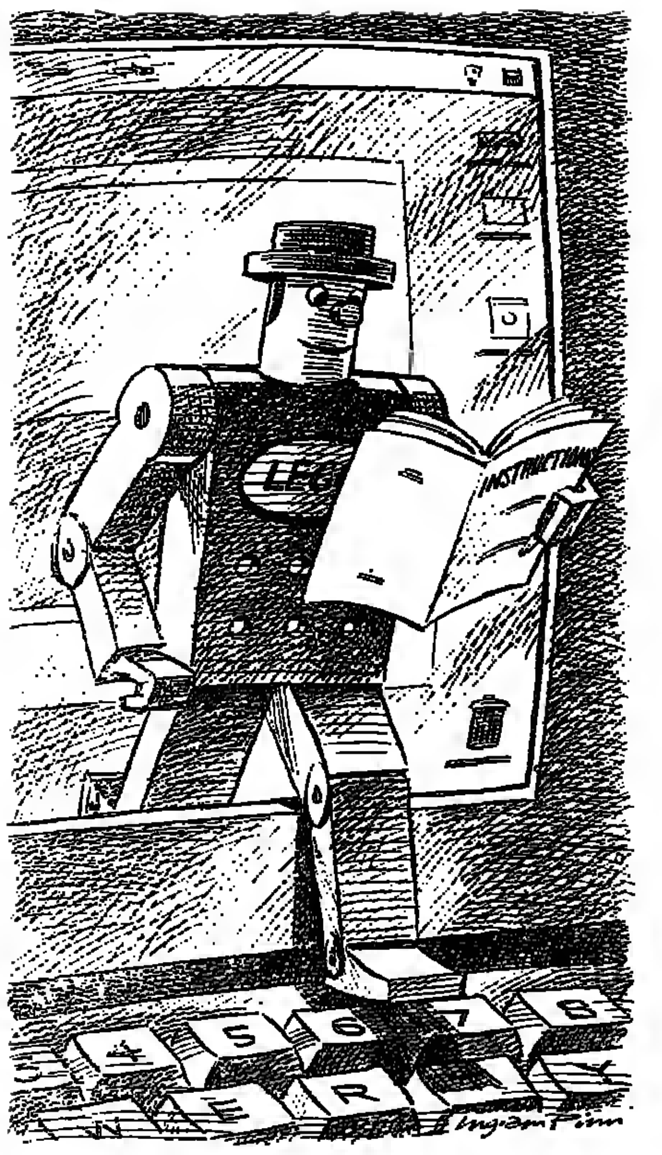
LEGAL NOTICES

[illegible]

Notice of appointment of Administrative Receiver

LAB-PLAS (UK) LIMITED (IN ADMINISTRATIVE RECEIVERSHIP)

[illegible]



Programmable devices will give children a richer learning experience, writes **Victoria Griffith**

Thinking toys of the future

The alarm rings but the toy man asleep on his green plastic bed does uot stir. He has a system to get him moving in the morning however, and the bed soon lifts and dumps him onto a conveyor helt that hrings him into the kitchen for breakfast.

Wheu he is dressed, he walks next door to the chocolate factory, which is already humming with pulleys and more conveyor belts.

The alarm clock bed and the Wonka factory are products of children's imaginations. The computer programs that run the toys were created by children at a Lego-funded research project at "Toys that Think", the Massachusetts Institute of Technology's Media Lah.

Other creations include a city of the future with moving pavements, and a house that allows only certain colours of car to park in its garage.

These childhood fantasies are an important part of the project, which aims to create programmable toys that children can use to express themselves. "It doesn't have to be cars or factories," says Mitchel Resnick, who heads the Lego-MIT project. "We've created kinetic sculptures with kids using this technology."

The toy industry has long been interested in play ohjects that perform. In the late 1800s and early 1900s, jack-in-the-boxes and other mechanical toys were a hig success. In the 1960s, hattery-operated toys were all the rage, as the toy sector worked out how to make dolls cry and miniature cars to move.

Resnick says the difference hetween these and thinking toys is that in the old toys, behaviours are dictated to children. His new computerised devices, on the other hand, allow children to decide what the toys should do. "It's a much richer learning experience for the children," he says.

His research, which hegan nearly 10 years ago, has already yielded commercial products for the Lego groop. Dacta, the company's educational division, has been selling programmable toys to schools across the US since 1990. Lego will not say how much revenue the toys bring in, hut the company does reveal that they account for half the division's sales.

"Children love these products, which are huilt with light sensors, touch sensors and other things for them to program as they want," says Marsha Whitehead, marketing manager for Dacta. But because the sets require a personal computer link-up, and because adults have to help children write the programs, the toys have not yet made it to the shelves of high street toy stores.

Using the latest technological advances, Resnick hopes to change that. The new phase of the MIT project aims to create programmable toys that do not have to be hooked up hy wire to a personal computer and will allow even young children to dictate self-created programs with no adult supervision.

Miniaturisation and wireless technologies will help make this possible. Resnick has created what he calls the "programmable hrick", a device slightly smaller than a television video tape, which can relay relatively complex behaviour patterns to the toy into which it is incorporated. "Most of this is batteries," Resnick explains. "I think we can make it much smaller.

Alternatively, toys could be geared to accept wireless signals from PCs to give children more leeway in the hehaviour. "One of the problems up fo now has been that a toy that's physically hooked to a personal computer has limited possihilities," says Resnick. "You could create a great monster, for instance, that opens its mouth when you clap, and moves when you shine light on it, but if it can only move a little way, it's not much fun. We want something that is more mohile, so you can send the monster to the next room, if you like."

Yet Resnick concedes that making the products smaller and more mohile is only part of the challenge. One of the higgest prohlems in hringing thinking toys into the home is simplifying the interface so that children can have fun with the objects on their own.

Becanse of the interface prohlem, Lego's computerised Dacta products are now only offered to older children (aged from 11) and must be used with the supervision of computer-literate adults. Children tell the snpervisors the sorts of things they want to do, hut adults usually type in the programs using mysterious-looking symhols and computer shorthand.

Resnick is trying to solve this prohlem by creating software to simplify the programming process. One experiment uses coloured squares with simple instructions on them such as "go", "stop", "forward" and "backward". Resnick says that by using a mouse, the squares can he put together on the computers as if the child were huilding a tower out of hricks.

Yet the more simple the interface, the more limited the hehaviours the child can instill. And even the computer brick-building exercise may be heyond the understanding of many children.

"The easiest thing to do would be to make a thinking toy along the lines of today's interactive CDs," says Resnick. Most of today's computer nrograms for children have built-in responses. A child clicks the mouse on a dog on the screen, for instance, and it barks. Complex behaviours could also be huilt into blocks and mobile toys. A Lego robot, for instance, could be made to do a dance at the click of a mouse or the clap of hands.

Although such toys may be commercially successful, Resnick has doubts about their creative value. "The child is not giving his imagination free rein," said Resnick. "He's just ohserving what the manufacturers decided would be fun for him to see. If we can't get beyond that, we haven't really moved much further than what we got with simple battery-operated devices". Or, for that matter, with the old-fashioned jack-in-the-box.

When the snow has not fallen

Ski resorts no longer have to rely on winter to cover the slopes, writes **Clive Cookson**

Skiers at hundreds of resorts around the world can thank biotechnology for the healthy snow cover on the pistes this Christmas.

The winter sports industry, particularly in North America, no longer relies on nature to turn the slopes white in time for the Christmas and New Year puhlic holidays.

Many ski areas – pushed to the brink of financial disaster by a series of snowless Decembers during the late 1980s and early 1990s – have invested heavily in snow-making equipment, for which a key ingredient is a hiotech prodnct called Snomax. This is an "ice nncleating" protein made hy *Pseudomonas syringae*, a natural bacterium that is widespread in the environment.

It was discovered 20 years ago hy Steven Lindow, a hiologist stndying frost damage to plants at the University of Wisconsin in the US, and is mannfactured commercially by Geneucor, an industrial hiotechnology company in Rochester, New York.

Resort operators add the freeze-dried protein to water before it is squirted at high pressure from a snow gun. The microscopic Snomax particles provide an excellent nncleus for the water droplets to crystallise in the cold air into artificial snowflakes.

Pure distilled water can be "supercooled" to -40°C before it freezes, because there are no solid nnclei around which the molecules can start to form the hexagonal array of an ice crystal.

The natural water used hy ski areas to make artificial snow – typically drawn from local rivers and lakes – contains enough nucleating particles of dirt and dust to freeze at an average temperature of -7.6°C when propelled as droplets through a snow gun, according to Richard Brown, general manager of Genencor's Snomax division.

The same water with Snomax added freezes at -2.6°C, so resorts can make snow when the temperature would otherwise be too high.

And the company says that, even when the air is much colder, the added protein particles increase the efficiency of snow-making and improve the quality of the artificial snow.

The Snomax patents cover all hiological ice-nucleating prodncts, so Genencor – a joint venture of Eastman Chemical of the US and Cultor of Finland – has the market almost to itself.

The company is cagey abont revealing precise production figures. Brown says it sells 15,000kg-20,000kg a year of Snomax to 400 ski areas worldwide. Some large resorts in the US spend as much as $200,000 (£133,000) a year on Snomax – enough to pump 250m gallons of water through their snow guns and cover 250 acres of mountainside with snow five feet deep.

Their policy is to start laying artificial snow as soon as frosty weather arrives in the autumn, so that it lies deep on the pistes hy the Christmas holiday rush.

Then if there is a good natural snowfall as in New England this year, that is icing on the cake – and if not, as in parts of the Rockies, the artificial snow can save the season.

While Snomax was being developed during the 1980s, there was considerahle environmental concern at the prospect of spraying hillions of bacteria around ski resorts.

But extensive testing has assured regulatory authorities in all countries with extensive ski areas – in Europe, Japan, Australia and New Zealand as well as North America – that Snomax is safe.

Genencor points ont that *Pseudomonas syringae* is a harmless natural microbe that occurs very widely throughout the world. It is not a prodnct of genetic engineering.

The main environmental issue now concerns the impact on water resources of extracting millions of gallons for making artificial snow.

And Snomax can help here hy enahling ski areas to prodnce more snow per gallon of water pumped.

Many ski areas have invested heavily in snow-making equipment, for which a key ingredient is a biotech product called Snomax

However Snomax may be less suitahle for making snow indoors, in the new generation of gigantic refrigerated recreation areas that go hy names such as Snowdome and World of Snow. Their equipment uses pure water without added nncleating agents. Malcolm Clulow, managing director of Acer Snomec, a UK consultancy specialising in indoor snow-making, agrees that Snomax works well outdoors, but says: "we have tested it [indoors] and it seems to give off something of a decaying vegetahle smell after a while."

Acer Snomec (which is partly owned hy Welsh Water) has developed an indoor snow gun that fires tiny particles of ice. Bnt the company says its main technological advantage is the "thermal energy store" which forms an "artificial glacier" beneath the snow with a base temperature between -10°C and -25°C.

This vast cold store maintains and restructures the snow particles so that they remain in good condition for skiing, and new snow does not need to be made more than once a week.

The first European development hy Acer Snomec will be the Duhlin Leisure Dome. Construction is due to start next year. Acer is also helping to construct indoor ski centres in Asia.

But Europe's pioneering indoor ski area with "real snow" – in the sense of ice particles, rather than the brushed nylon of "dry slopes" – is the Tamworth Suowdome opened by First Leisure in Staffordshire last year.

Unlike Acer Snomec, which is open about its technology, First Leisure refuses to disclose any information about how it makes its snow, beyond saying that it is produced on site without a suow gun.

Competitors believe that the Snowdome uses a large refrigerator to prodnce ice which is then scraped or finely crushed and spread over the 150m slope.

هكذا من الاصل

Enchanted by an Iranian fairy story: Aida Mohammadkhani in Jafar Panahi's 'The White Balloon'

Cinema/Nigel Andrews

Mundane raised to the mythic

Who knows how hypnosis works in the movies? As if mimicking the snake charmer who appears in one of its early scenes, Jafar Panahi's *The White Balloon* put entire audiences at Cannes into a state of sway-necked trance. Their heads and minds bobbed in tune with this fluting, teasing Iranian fairy tale in which a little girl in a big city loses, seeks and finally comes close to retrieving – we must *not* give the ending away – a valuable banknote.

Entrusted with it by her mother for a goldfish-buying expedition, she loses it first to the snake, then in the pet shop (she thinks), then down a grating. For 84 minutes we watch the pudgy-jowled, large-eyed face of Aida Mohammadkhani mutely mugging or flutily beseeching as she legs it through the streets and markets.

Was Cannes actually, clinically hypnotised? Since the film won the International Critics Prize and the Camera d'Or for best first film, and had an afflatus of adoration lavished on it from nearly all quarters, it suggests that major mesmerism is going on.

That and the power of venerable role models. *The White Balloon* is, of course, *The Red Balloon* in another country with a different (but not that different) plot. As in the classic French children's film, there is the same sense of a quest raised from the mundane to the mythic, the same appeal to the child-in-all-of-us and the same mimetic minimalism in plot and dialogue.

Only instead of boy-chases-balloon we have girl-chases-500-toman-note. And we have a thousand critics insisting that this is e political fable ebout life under Islam. Screenwriter Abbas Kiarostami has indeed written (and directed) knottier, more tendentious fables: such as his *Through The Olive Trees* in which Iran is a film set filled with an allegorical bunch of mini-despots and mini-belots, doomed artists and downtrodden women, amid the camels and olive trees.

But if *The White Balloon* works e spell, it is that of a well-crafted, sentimental universalism. We are captivated by the girl's quest in the same way that we would be caught op in the sight of a real child that had lost something in e real street. Only since we are being captivated via the movie medium, we think our response must owe something to deep allegoric meanings.

Panar and Kiarostami do throw a few symbols our way, but they clatter awkwardly in an arena mostly bare of everything except a timeless neo-realism. The last image freezes on an Afghan boy, a balloon vendor whose late emergence in the story, helping the girl's search, may be intended to prompt larger thoughts about "dispossession". We can also speculate about the symbolism of snakes (the forbidden?), fish (Christianity?) and even banknotes (overvalued tender in an un-tender society?).

Alternatively the film could mean no more and no less than what it is: a sweet-natured odyssey through primal emotions in the company of a heroine as blank, buoyant and casually bewitching as the title object.

If comedian Jim Carrey lost a banknote, we would all get down on hands and knees to look for it. It would probably be worth $20m, his current asking fee as a movie star.

How does he earn it? By risking physical injury. In *Ace Ventura When Nature Calls* he seems in permanent danger of dislocating his face. Mugging taken to this virtuosic peak deserves some award for bravery, followed by a spell of serious medical aftercare.

Playing the Hawaiian-shirted, stripe-trousered, quiff-haired pet detective we remember from *Ace Ventura 1*, Carrey cannot say "Good morning" without turning it into an facial-linguistic assault course. Jaw juts leftwards, eyes swivel rightwards, eyebrows dance like knitting needles, cheeks ironisingly dimple, adam's epple bobs. And the voice swells gradually, with an elaborate insane momentum, as if through opening vocal floodgates.

Carrey is part demented child, part non-stop mickey-taker. Here he falls into Africa for e plot about warring tribes, Great White Bats, and silly Britons (Ian McNiece, Simon Callow) holding up the last outposts of post-imperial influence. But the plot, of course, comes in a crate marked "I.O." for instant obsolescence. It is no more than an opportunity for Carrey to go serially berserk as he is

THE WHITE BALLOON
Jafar Panahi

ACE VENTURA WHEN NATURE CALLS
Steve Oedekerk

THE INDIAN IN THE CUPBOARD
Frank Oz

HEAVY
James Mangold

chased by elephants, blow-darted by grass-skirted natives or railed et in a language even more incomprehensible than his own. Subtlety is unknown and unheard of. Political correctness went thataway. And it is quite funny if you can spare the time and indulgence.

Actually political correctness went thisaway, stampeding from the Carrey set into *The Indian In The Cupboard*. Somewhere in the US, seven-year-old Omri (Hal Scardino) is given the tiny toy figure of a Native American which he places in another birthday present, a portable lock-up cupboard. When he unlocks it, guess what? The *Indigenous Plainsperson* (Litefoot) has come alive. And soon, so have other toys placed there for the duration of one magical key-turn.

Before long the autochthonous new-worlder has a new pal in e toy gunfighter who turns into a real quick-draw paleface (David Keith). They scrap and exchange fire, but finally – with the boy's help – they make up and vow harmony. The gunman has learned racial tolerance. The boy has learned to use his magic responsibly. And the Aboriginal Occidental has escaped from the closet of an oppressed community mind-set.

Is the film as preachy as it sounds? Yes. And someone should have locked composer Randy Edelman in a cupboard, for his syrupy-repetitive score, and thrown away the key. (Thet strain again – and again, and again). Consolations are the fine Tom Thumb special effects, courtesy of Industrial Light and Magic, and David Keith's very merry turn as the rednecked cowpoke.

James Mangold's *Heavy* is the tale of a bovine young pizza chef (Pruitt Taylor Vince) who falls, hopelessly, for a pretty, passing-through waitress (Liv Taylor). The restaurant's head waitress is a blowsy-looking Deborah Harry and the chef's Ma is an enormous-looking Shelley Winters, with a dicky heart and dialogue to match. "I have to keep pressure on my saliva glands" is one of her more exciting lines.

Over two hours we learn a lot about unrequited love and e little, though it seems a lot, about the psychological burden of being fat.

This is one of those films in which after 20 minutes you say "When will it begin?" and after 80 minutes you say "Why hasn't it endad?". In between you wonder why the writer-director didn't think up more plot-toppings to add flavour and piquancy; whether characters who wilfully doom themselves to self-rejection deserve our interest and sympathy; and whether even a bereaved son would take quite so long – hours? days? weeks? – to clear his Ma's last breakfast.

In this all-family season the best films are *Babe*, the tale of a talking pig, *The Santa Clause*, a Disney comedy-fantasy with reasonably low sugar content, and *A Close Shave*, the latest Wallace and Gromit delight from animator Nick Park. It shows at the ICA with a programme of other same-studio shorts. Rush now for a happy Christmas.

Seurat saved for Britain

The French *pointilliste* artist Georges Seurat's painting "The Channel of Gravelines" will nuw stay safely ensconced in the National Gallery – thanks to the Heritage Lottery Fund. The fund announced yesterday that it was contributing £8m to the £16m cost of the painting. The National Gallery is finding the remainder from donations and from its shop profits.

The price makes it the most expensive painting ever to change hands in the UK. It was owned by the American collector-dealer Heinz Berggruen and has been on loan to the gallery for four years. Berggruen has agreed to payment over three years and has also given the gallery seven oil studies, thus ensuring that it possesses a major holding of one of the most important and least productive 19th century French artists. Seurat died young, and no comparable work is ever likely to appear on the market: hence the price.

The fund's decision to help acquire the Seurat will be warmly welcomed in the art world. To date relatively little of its lottery revenue has gone to keeping works of art in the UK. Instead it has concentrated its awards on landscape and buildings, in particular museums.

The fund's other major contribution yesterday was £6m towards a £12.1m project to transform the old Geological Museum, inside London's Natural History Museum, into new galleries focusing on the power of natural processes and mankind's relationship with the earth.

Another London museum to benefit was the Geffrye Museum in Hackney, which received £3.75m of the £5.3m cost towards an extension to the 18th century alms houses, a popular haven in east London crammed with furniture re-creating domestic interiors.

In all, £25m was distributed to 34 beneficiaries. Surrey History Society in Woking got £2.74m; the National Trust £792,300, to help preserve Stowe Farm in Stowe Park; the HMS Trincomalee project in Cleveland, designed to preserve this 1817 ship in Hartlepool, £975,000; Chelsea Physic Garden, £100,000; Broseley Pipeworks, Shropshire, the last clay smoking pip manufacturers in the UK and part of Ironbridge Gorge Museum, £60,000; and the New River Walk in Islington £175,000, to ensure that this old river channel flows freely.

After an upset et its first distribution in March, when the £13.2m given to secure the Churchill erchive was badly received by press and public, the Heritage Lottery Fund has trod carefully and avuided controversy. So far it has only spent £95m of its £270m revenue as a lottery beneficiary. But it is considering some mammoth bids, not least from the Royal Albert Hall, the National Maritime Museum and the British Museum.

Antony Thorncroft

Musical/Ian Shuttleworth

South Pacific

A few years ago, it was impossible to move round London in December without coming ecross a pantomime sponsored by Cadbury's. This year the main Christmas presence seems to be director Phil Willmott; he is at the helm of *Treasure Island* at the Mermaid, sinking his teeth into *Dracula* in Battersea and commander-in-chief of the Drill Hall seasonal Rodgers & Hammerstein operation.

The city's main gay performance venue is aiming for erossover appeal this Christmas, with the consequence that *South Pacific* is not as thunderously camp as expected. True, one couplet in *I'm Gonna Wash That Man Right Out Of My Hair* is reallocated to one of the male troops, and a drag chorus line later eppears complate with the base commander as the Statue of Liberty; but in general the temptation to go for an all-out Village People style staging of *There Is Nothing Like A Dame* has been resisted.

What remains is a cheap and mostly visual presentation, with primary musical strengths in the form of Patti Boulaye and Peter Polycarpou. Boulaye plays the island huckster Blood Mary with sly relish, but at times her voice is e touch *too* powerful. Polycarpou, as planter Emile de Becque, shows greater vocal control (as befits a former Lloyd Webber Phantom), delivering *Some Enchanted Evening* almost in an undertone. Christopher Howard is likewise on top of his role as Lieutenant Joe Cable, and Joanna Maddison makes e good hut not greet professional dehut as Nellie Forbush.

Realising that high-gloss production values are out of their reach, Willmott and his cohorts have tried to make a virtue of necessity. Liz Putland's scaffolding-and-drapes set is functional rather than ravishing and choreographer Jack Gunn opts for the illusion of spontaneous exuberance by individuals instead of tightly drilled uniformity.

The most ill-advised element of the production, however, is Willmott's attempt to cast shadows of "ugliness and racism ... the reel war in the Pacific" over a straightforward 1949 Broadway musical. Interpreted voice-over passages aim to set the island action in the context of the war as a whole, but are at best unnecessary and at worst prone to rash oversimplificatioo; the claim that Hiroshima "marked the end of the war for the Japanese" might be disputed, not least by the citizens of Nagasaki.

Rodgers & Hemmerstein shows are not really the most fertile grounds for socio-historical revisionism. Luckily there is not enough of these touches to unbalance the production, which, by and large, does a solid if unspectacular joh. Besides which, the prospect of large numbers of grannies visiting the Drill Hall is an impishly delicious ooe.

At the Drill Hall Arts Centre, London WC1, until January 20 (0171 637 8270).

Theatre/Sarah Hemming

Grim wit in a drug wasteland

It may be the least seasonal of the current openings – unless you *count* a generous description of cold turkey – but *Trainspotting*'s arrival in the West End is certainly an event.

Irvine Welsh's cult novel about young heroin addicts in Edinburgh has now become a cult theatre piece (this is the second version to play in London this year) and is shortly to become a cult film. And you cannot help hut admire a show that packs the former West End home of *The Mousetrap* with a young, eager, club-going eudience and proceeds to place centre stage one of the greatest scourges of their generation: drug addiction.

What is even more impressive is that it manages to avoid either glamorising the subject or preaching ebout it: funny, filthy and furious, it strikes a clever balance that both appeals and appals. It is certainly not a cosy watch. Anyone uncertain about their staying power should be warned off by the opening scene, in which Mark, our guide to the evening, bursts onto stage with e four letter expletive end recounts a stomach-churning tale of his efforts to dispose of a set of revolting bedclothes without alerting his bost's parents.

From there he hundles us oo e tour charting the highs and lows of the junkie existence in sordid and graphic detail. We witness shooting up, cot death and violence, and enjoy a detailed description of Mark's search for opium suppositories in an overflowing toilet.

You would be hard pushed to describe Harry Gibson's adaptation as a play; rather it is a series of unrelated episodes thet constantly reminds us of the piece's origin between hard covers. Like the novel, the splintered, rollercoaster style is more appropriate to the culture and life it speaks for. And it preserves Welsh's brilliant, vigorous, disgusting language, which bruises the air with its endless expletives.

But while even the most degrading episodes are spiced with grim wit – "we called him the Mother Superior because of the length of time he'd had his habit" – Welsh avoids glamorising. Other writers might try to convey the drug-altered mind, Welsh is more concerned with the drug-stunted psyche and the drug-ruined body. We hear e bit of philosophy about the beauty of heroin and a brief description of the thrill of e hit from Mark, but far more compelling is the constant reminder of curdled energy, debilitated lives and unpleasantly wrecked bodies. There is no mistaking Welsh's anger about the waste of life.

Harry Gibson's new production is sharp, punchy and switches from comedy to bleakness in a second. It is not as raw and dangerous as Ian Brown's original production seen at the Bush, which benefited from the studio space by being far too close for comfort. One misses too the pale, nervy Ewen Bremner as Mark. But Paul Ireland brings e different quality to the character, making him more knowing and more likeable. Peter Ireland too is compelling as the sad, suggestible Tommy, the one who ends up with the full force of hopeless dependency and HIV. And Gavin Marshall is horribly good as the bully-boy brute, Franco.

There is a danger, which this productioo hovers just the right side of, that once it loses the raw desperation and initial shock value, it could become too fashionable and slick for its own good. But, for the moment, despite all its verve and spunk, *Trainspotting* remains a grim voice from our times bemoaning the needless waste of young lives.

Continues to January 27 at the Ambessedurs Theatre, Loudun (0171-836 6111), then on tour.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Nieuw Sinfonietta Amsterdam: with conductor Lev Markiz, pianist *Boris Berman and clarinetist* Frank van den Brink perform works by Prokofiev, Hindemith and *Beethoven*; 8.15pm; Dec 27

■ ATHENS

CONCERT
Athens Concert Hall
Tel: 30-1-7282333
● BBC Symphony Orchestra: with conductor Dimitris Agrafiotis perform works by Rossini, Verdi, Puccini, Strauss and Mascagni; 8.30pm; Dec 27

■ BERLIN

CONCERT
Komische Oper Tel: 49-30-202600
● Weihnachtskonzert: performed by the *Kammerorchester* der Komische Oper, conducted by Reinhard Goebel, the Chor des Kinderstudios and Chorsolisten der Komischen Oper. *Soloists include* mezzo-soprano Ursula Hesse, tenor Ilya Lewinsky and baritone *Alexander Marco-Buhrmester*. The programme includes works by Veracini, J.S. Bach and Telemann; 7pm; Dec 23
Konzerthaus
Tel: 49-30-203092100/01
● Weihnachts-Oratorium (Part 1, 2, 3): by J.S. Bach. Performed by the Kammerphilharmonie und Chor des Mitteldeutschen Rundfunks, conducted by Enoch zu Guttenberg. Soloists include soprano Annegeer Stumphius, alto Marga Schiml, tenor *Ludwig van Gijsegem and bass* Andreas Scheibner; 4pm; Dec 22
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Symphony No.9: by Beethoven. Performed by the Berliner *Symphoniker* and the Tokyo Oratorio Society Choir, conducted by Alun Francis. Soloists include A. Halgrimson, K. Borris, C. Bieber and R. Hagen; 8pm; Dec 23

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Deutsche Kammerphilharmonie Bremen: with conductor Jan Willem de Vriend and pianist Melvyn Tan perform works by Handel, Mozart, C.P.E. Bach end J.S. Bach; 6pm; Dec 25

■ FRANKFURT

OPERA & OPERETTA
Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
● La Traviata: by Verdi. Conducted *by Guido Johannes Rumstadt and* performed by the Oper Frankfurt. Soloists include Alexandrina *Pendatchanska*, Ilse Gramatzki, Elsie Maurer and Luca Lombardo; 7.30pm; Dec 25 (3pm), 27, 30

■ HAMBURG

CONCERT
Musikhalle Tel: 49-40-346920
● Hamburger Symphoniker: with conductor/violinist Stefan Czermak and trumpeter Ilie Muntean perform works by Corelli, Handel, Vivaldi and Mozart; 7pm; Dec 25 .

■ HELSINKI

DANCE
Opera House Tel: 358-0-403021
● The Nutcracker: e choreography by Rudolf Nureyev after Petipa to music by Tchaikovsky, performed by the Finnish National Ballet; 7pm; Dec 22, 27, 28

■ LONDON

CONCERT
Royal Albert Hall
Tel: 44-171-5823861
● Messiah: by Handel. Performed by the Philharmonia Orchestra and the Goldsmiths Choral Union, conducted by Brian Wright. Soloists include soprano Catrin Wyn-Davies, mezzo-soprano Rebecca De Pont Davies, tenor Adrian Thompson and baritone Peter Sidhom; 7.30pm; Dec 23
DANCE
Royal Opera House - Covent Garden Tel: 44-171-3044000
● The Royal Ballet: perform the choreographies "Peter and the Wolf" by *Matthew Hart and* "Tales of Beatrix Potter" by Frederick Ashton; 12noon; Dec 22, 29 (2pm), 30
JAZZ & BLUES
Barbican Hall Tel: 44-171-6388891
● The Glenn Miller Orchestra: with conductor John Watson perform works by Glenn Miller. Featuring special guests Tony Mansell, Jan Messeder, The Moonlight Serenaders and The Uptown Hall Gang; 7.30pm; Dec 27

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● Salome. Un Mito *Contemporaneo: exhibition devoted* to the way artists have been inspired by the mythological Salome, specially in the period between 1870 and 1920. The display includes paintings, drawings, prints, sculptures and photographs; to Jan 2

■ MUNICH

OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● Anna Bolena: by Donizetti. Conducted by Fabio Luisi and performed by tha Bayerische Staatsoper. Soloists include Roberto Scandiuzzi, Mariana Nicolesco and Vesselina Kasarova; 7pm; Dec 22

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Holiday Brass: members of the New York Philharmonic Brass and *The Canadian Brass perform works* by Gabrieli, Monteverdi, Shostakovich, Dedrick, Anderson, Kenton and Handel; 3pm & 8pm; Dec 23
EXHIBITION
The Studio Museum in Harlem
Tel: 1-212-864-4500
● Jean-Michel Basquiat: The Blue Ribbon Paintings: this exhibition focuses on e series of 11 paintings produced by Basquiat in 1984. In these paintings, which were the first he created in Andy Warhol's studio, Basquiat combined the techniques of silk-screen printing and direct painting; to Dec 31
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● La Bohème: by Puccini. Conducted by Carlo Rizzi and *performed by the Metropolitan* Opera. Soloists include Hei-Kyung Hong, Diana Soviero and Marcello Giordani; 8pm; Dec 22

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Nutcracker: by Tchaikovsky. Performed by the Orchestre Philharmonique de Radio France and the Maîtrise de Radio France, conducted by Aldo Ceccato; 8pm; Dec 23

■ PRAGUE

OPERA & OPERETTA
National Theatre
Tel: 42-2-24912673
● The Bartered Bride: by Smetana. Performed by the National Opera *Prague; 7pm*; Dec 22

■ STOCKHOLM

OPERA & OPERETTA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Madama Butterfly: by Puccini. Conducted by Muhai Tang and *performed by the Royal Swedish* Opera. Soloists include Sara Olsson and Noriko Ogawa-Yatake; 7.30pm; Dec 27

■ STUTTGART

OPERA & OPERETTA
Staatstheater Stuttgart
Tel: 49-711-221795
● Hänsel und Gretel: by Humperdinck. Conducted by Michael Boder and performed by the Oper Stuttgart; 7.30pm; Dec 23, 26 (5pm), 28

■ VIENNA

OPERA & OPERETTA
Wiener Volksoper
Tel: 43-1-514442960
● Carmen: by Bizet. Conducted by Bertrand de Billy and performed by the Wiener Volksoper; 7pm; Dec 22, 26

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Weinachtsoratorium (Part 1, 2, 3): by J.S. Bach. Performed by the Tonhalle-Orchester with conductor Willi Gohl, Audite Nova, Cantemus Bern and the Singkreis Zürich; 3pm; Dec 23

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Economic Viewpoint · **Samuel Brittan**

Not much to trickle down

With incomes rising, why do the British feel so gloomy? The explanation may lie in new statistics on wages. Even these figures will improve, but too late for the Tories

Why does the British economic recovery do so little to make people feel more prosperous or even convince people that it has happened? The most obvious indication of disillusionment is the low standing of the Conservative government. Questions by pollsters about affluence and optimism do not bring more cheerful results.

The depressed state of the housing market is beginning to wear thin as a complete explanation. The number of people who cannot move house because of negative equity is limited. Moreover, those who have lost from the housing slump are beginning now to be balanced by new households which can buy property more cheaply and service their loans with less drain on their incomes, thanks to lower property prices and lower interest rates.

At this stage it is usual to fall back on explanations about greater job insecurity and the diminishing number of careers for life said to be open to people. This is different from the bare facts of employment and unemployment, which are more favourable than in the corresponding period of the last recovery. These worries are by their nature extremely difficult to quantify, as they relate mainly to subjective probabilities about future events.

That is not a reason for rejecting them. But it is a reason for looking to see if there is something more tangible which can go some way to explain the prevailing mood.

The best statistical approximation to living standards is provided by a series known as "real personal disposable income at constant prices". This allows for both tax and inflation and includes cash welfare benefits such as pensions or income support; but it excludes benefits in kind such as health and education, benefits which Harold Wilson, the former Labour prime minister, used to call the "social wage".

The annual UK National Accounts (the "blue book") published by the Central Statistical Office, gives the rate of change of real personal disposable income between any two pairs of years expressed as an annual rate. Over the long period, 1952 to 1994, its rate of growth was 2.8 per cent per annum. This same rate was also achieved over the last decade, 1984 to 1994. If we take off a little for population growth we have a trend rate of increase of 2½ per cent per person per annum, enough to double the standard of living in around 30 years.

Yet there has not been one year under John Major when total personal income has grown at this trend rate. The average for the five years to 1994 was 1.3 per cent. Thus either the recovery has not been vigorous enough; or much of it has been syphoned off into profits and a higher tax-take. These latter changes may have been necessary for long-term health, but can hardly make the ordinary citizen jump for joy.

Need we look further for an explanation of government unpopularity? Yes we do. To begin with, there is far from a perfect relationship between measured living standards and election results.

In the "never had it so good" years of the 1950s, Eden and Macmillan won elections at periods of above average increases in real personal incomes. But in 1964 the Conservatives were defeated by Labour, led by Harold Wilson with the slogan of "13 wasted years" – even though real incomes had been rising by more than 4 per cent per annum.

Heath lost in 1974 despite rapid rises in real income. The three-day week and miners' strike made more impression. In 1979 James Callaghan lost to Margaret Thatcher after a year of record real income growth (which was connected with the collapse of Labour's pay restraint). The "winter of discontent" proved more important.

Most surprising of all, Thatcher increased her majority in 1983 after a parliament of well below trend increases in personal incomes. Of recent elections, only the one in 1987, when the Thatcher-Lawson team won after a parliament of good income growth, fits the neat prosperity-victory formula. The 1992 election was, like its winner, John Major, mixed. There was negligible growth in personal incomes in the year up to the election when the economy was entering recession, but well up to average growth over a longer five-year period.

At this point a further complication enters. The National Institute of Economic and Social Research has introduced another series, which is the annual growth in real disposable wages and salaries only. It leaves out dividends, rents and small business incomes and also cash benefits.

As the chart shows, for most of the last few decades there has been little difference between the conventional series of real personal disposable income and the National Institute's series that concentrates on wages and salaries alone. Moreover, such discrepancies that did occur were well away from election periods. But as the marked area in the chart shows, the two series have diverged in recent years.

The growth of the conventional personal disposable series since 1992 has been below the long-term trend, but not nearly bad enough to account for the disastrous performance by the Conservatives in by-elections and polls. Yet, if we turn to the other series for wages and salaries alone, marked by the black line, the picture is very different. They have hardly risen at all, squeezed by a rising tax-take and low pay and job growth. Thus the behaviour of real pay after tax makes government performance unsurprising.

But is there light at the end of the tunnel? The National Institute predicts a good recovery in real post-tax wages and salaries in 1996 and the first half of 1997. This will not quite reach earlier trend levels but will be respectable enough. On a strictly economic view of the business cycle, the prospect seems good enough to narrow the gulf between the political parties, but not nearly good enough to eliminate the large Labour lead.

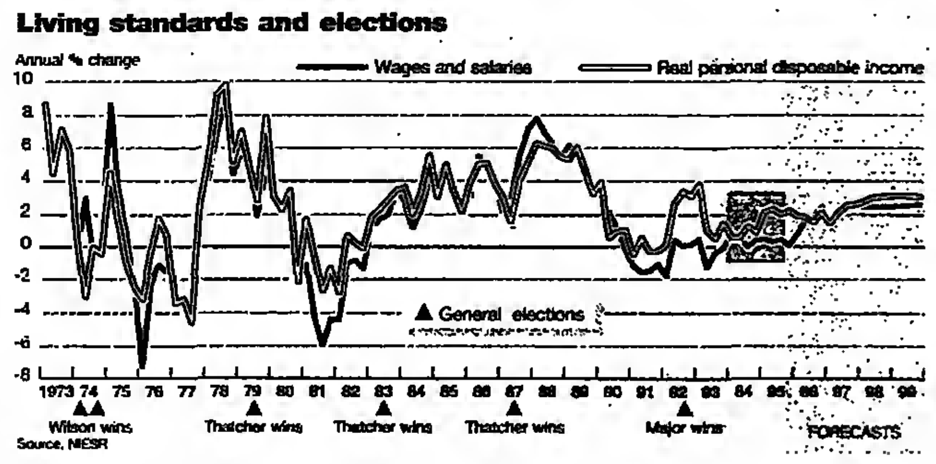
This even partially reassuring outlook depends however on mainstream forecasts being roughly right. It is notable however that the dissidents from the consensus are nearly all on the pessimistic side.

One of the most interesting non-consensus forecasts is by Peter Warburton of Robert Fleming. He points out that the official estimated real gross domestic product growth rates between the first and second halves of 1995 is 1.7 per cent at an annualised rate. Yet the official forecasts expect a reacceleration in 1996 to 3.2 per cent growth without giving compelling reasons.

A crucial element is the outlook for world growth and trade. International organisations, such as the OECD, make mild downward adjustments, but insist that the recovery is on course despite the difficulties reported by country after country.

Recent actions by the Bundesbank and the Fed, which emboldened the British to reduce interest rates as well, have shown that national authorities do not base monetary policy only on inflation and have moved some way towards behaving *as if* they were operating on nominal demand. Their actions may even be enough to promote normal world growth in 1996 – always provided they are prepared to move swiftly again in either direction. But the likely trickle through to the British consumer hardly looks like being enough to overcome the more deep-seated factors making for pessimism or the simple political reaction that it is now time for a change.

Living standards and elections



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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Central bank drawbacks realised

From Mr Gerald Holtham.

Sir, Terry Hall's report "Push and pull of NZ policy" (December 19) was an object lesson in all the dangers of central bank independence. This fashionable nostrum has many drawbacks and it was fascinating to see them all displayed so clearly in recent New Zealand experience.

First, the Treasury and Reserve Bank pursued discordant policies, monetary policy being tightened as fiscal policy was eased. Second, giving the Reserve Bank a pure inflation target led the governor to take no responsibility for the effect of monetary policy – the most powerful macroeconomic instrument – on real output and growth. Predictably this led to too tight monetary and too loose fiscal policy.

Third, that combination forced up the exchange rate and punished the traded-goods sector. Apparently exporters "formed an organisation to find ways of constraining inflation by means other than tightening monetary policy". One day they will rediscover the truth that all the instruments of policy should be co-ordinated in restraint of inflation rather than policy instruments being "assigned" to different targets and then, bizarrely, given to different institutions to control.

Finally, central bank independence is supposed to confer "credibility" on policy. One of its benefits, one might suppose, would be low interest rates in relation to inflation, since the markets should expect future inflation to be low. Yet we are told the present level of New Zealand interest rates is "in real terms among the highest in the world". So much for the benefit of credibility.

A recent IPPR book, *Growth with Stability*, criticised the notion of an independent central bank, predicting all these problems. On reflection it was too kind.

Gerald Holtham,
director, Institute for Public Policy Research,
30-32 Southampton Street,
London WC2E 7RA, UK

Nuclear-free zone should be supported

From Mr Frank Blackaby.

Sir, The Financial Times is one of the few papers to report that the south-east Asian states which are members of Asean have established the fifth nuclear weapon-free zone in the world ("Asean outlines ambitious vision of further regional co-operation", December 16). (The other zones are south America, Africa, the south Pacific and the Antarctic).

The parties to a nuclear weapon-free zone, not unreasonably, expect the declared nuclear weapon states to give an undertaking that they will not use, or threaten to use, nuclear weapons against any of the states in such a zone. The undertaking is in the form of a protocol to the treaty.

The UK, which used not to favour the establishment of zones of this kind, has changed its view. In May of this year, at the Non-Proliferation Treaty conference, it acceded to a document which says: "The development of nuclear weapon-free zones...should be encouraged as a matter of priority...The co-operation of all the nuclear weapon states and their respect and support for the relevant protocols is necessary for the maximum effectiveness of such nuclear weapon-free zones..."

Britain should declare its support for the African and Asean zones, and indicate that it will sign and ratify the protocols. It will be in breach of a solemn undertaking if it fails to do this.

Frank Blackaby,
9 Fentiman Road,
London SW8 1LD, UK

Jump in Emu dark without prior detailed study

From Mr Adam Szarf.

Sir, It is true that the overwhelming majority of British businesspeople (and many ordinary people in Europe) do not understand the issues involved in the setting up of Emu (Letters, December 18). Hence, to my mind, the importance of the UK prime minister's initiative in proposing a detailed study of its implications.

Far from a delaying ploy, clarification of many issues involved is long overdue. It is essential to the understanding of what Emu is about and should be of interest to all concerned; to others even more than to the UK. This is because the UK, should it eventually decide to exercise its opt out right, would be in a position of watching the operation of Emu in practice before deciding on empirical grounds whether it is worth joining or not.

For the other countries, joining Emu without John Major's study would be a jump into darkness.

Adam Szarf,
21 Av de la Renaissance,
1040 Brussels, Belgium

LEADERS FOR A NEW MILLENNIUM

Vagit Alekperov · By John Thornhill and Robert Corzine

Oil gusher with ambition

At a lavish dinner at the Landmark Hotel in London last month, two men held centre stage. One was Mr Haydar Aliyev, the elderly former KGB man, veteran member of the Soviet politburo and now president of oil-rich Azerbaijan. The other was Mr Vagit Alekperov, head of Lukoil, Russia's largest oil company.

In formal toasts, the two men – one in the place of honour at the top table, the other acting as host for the evening – vowed to work together to unlock the oil reserves of the Caspian Sea.

This is perhaps the world's last great under-exploited oil province and one that might someday rival the riches of the Gulf. Later, in impromptu huddles with western oil executives, they cut the deals to make that vision come true.

It is a dangerous game predicting anything in the murky world of Russian business. But it is a fair bet that Mr Alekperov will emerge as the country's most powerful oil industry executive by the next millennium – and play an influential role on the global energy stage too.

Indeed, the supremely self-assured 45-year-old Azeri would doubtless make such claims today. He sees an explosive future for Russia's biggest privatised oil company and has already begun to express his international ambitions. "If only we had begun in 1978 before things went to pieces in Russia," he says. "If we had, by now we would be the biggest oil company in the world."

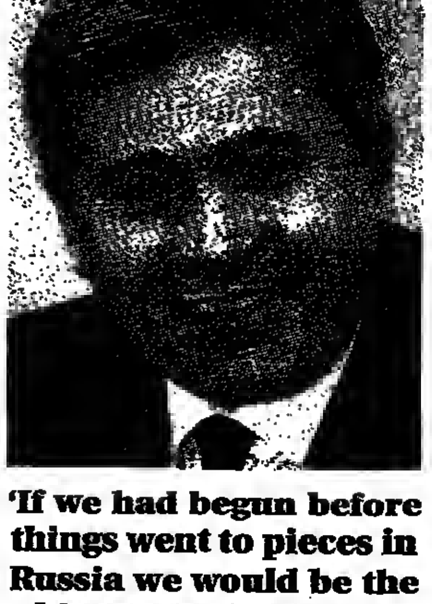
Last year he stunned even hardened Wall Street bankers with his ambition, claiming that Lukoil would buy Exxon within 15 years. And just to show his promise was no unthinking act of braggadocio, a senior company director later revised the period to 10 years.

"Alekperov is a visionary," says Mr Craig Kennedy, the Moscow representative of Cambridge Energy Research Associates, a consultancy. "He has gone much further than any of the other oil industry generals in imagining the potential for a privatised company and laboured indefatigably to create the legal, political and financial framework to make it all happen. He is an empire builder."

Born in Baku, now the capital of independent Azerbaijan but then one of the Soviet Union's biggest oil towns, Mr Alekperov graduated from the local oil institute in 1974 and then shot through the industry ranks like a gusher.

Within 10 years he had become director-general of Kogalymneftegaz, one of the Soviet Union's biggest energy producers, which now forms an integral part of Lukoil. His name is still spoken with awe in remote Siberian oil towns for his work in developing the region. In 1990 he moved to Moscow to became the youngest-ever deputy energy minister.

Combining an easy intelligence with a ferocious dynamism, Mr Alekperov helped restructure the country's oil industry when Russia lurched towards a market economy in the late 1980s. After sketching out the creation of several new oil companies, he then jumped to head Lukoil, the one thought to have the most promising assets.



'If we had begun before things went to pieces in Russia we would be the biggest in the world'

Under Mr Alekperov's direction, Lukoil has proved to be the most aggressive and commercially minded of the new generation of oil companies. It has shown a degree of managerial sophistication in striking contrast to its slower-moving rivals.

It hired McKinsey, the international management consultants, to help restructure its operations; and CS First Boston, the investment bank, to advise on tapping international capital markets. Earlier this year Atlantic Richfield, Los Angeles-based integrated oil group, took a 6 per cent stake in the company.

Lukoil is also developing plans to diversify into north Africa and central Asia, and aims soon to have 20 per cent of its reserves outside Russia. There is speculation that it might even swap Russian oil for assets in the north Sea.

Nevertheless, the company has a colossal amount of work to do just to realise the potential of its estimated 14.6bn barrels of reserves, more – on paper at least – than Exxon, British Petroleum or Mobil. Western oil executives say Lukoil is in a league of its own among Russian oil companies, with technical skills on a par with its international counterparts. But critics claim that many of its 77,000 workers in Russia remain steeped in inefficient Soviet-era working practices.

Normally a calm and softly spoken man, Mr Alekperov is renowned for occasional flashes of anger, publicly upbraiding his rivals and colleagues for their supposed errors. Earlier this year he curtly corrected a deputy who had interrupted to offer some detailed information. "Just who is being interviewed right now?", he demanded. But he also inspires strong loyalty among his top management team.

His negotiating style can at times be abrasive. Stories circulate in the oil industry of how he and Mr John Browne, BP's chief executive, almost came to blows a few years ago over a proposed deal in Kazakhstan.

And, like any business leader operating in Russia, Mr Alekperov has had to show he is capable of handling himself in the rough-and-tumble capitalist world. Some domestic critics have accused him of amassing vast personal wealth from the privatisation of Lukoil. But Mr Alekperov strongly defends the process. "Every Russian got a piece of paper, a privatisation voucher, which gave him a share in Russia's property," he says. "Some people spent their vouchers on vodka, others on principle refused to use them and hung them on their walls. But some people invested their vouchers and saved money to buy more. If they bought Lukoil shares, they are now rich."

His political influence with the present Russian government is substantial. Western oil executives say he was instrumental in deflecting opposition from the Russian foreign ministry for a BP-led $8bn project to develop three offshore fields in Azerbaijan – the largest international deal struck so far in the Caspian region.

Over the past few months Mr Alekperov has put Lukoil in a position to take part in most of the big energy deals now being considered in Azerbaijan and Kazakhstan.

Some analysts suggest that the speed and scope of Lukoil's recent moves in the Caspian reflect Mr Alekperov's fears that Russia might one day soon return to communist rule. They predict that the Communist party's success in last weekend's parliamentary elections may give added impetus to the company's international drive. While emphasising that he believes in a mixed economy, Mr Gennady Zyuganov, the party leader, has said it may be necessary to re-nationalise some of Russia's strategic industries, including oil.

Such talk may not represent much of a threat at present given the weakness of parliament in Russia's constitution. But that would change if a Communist candidate won the all-important presidential elections in June next year. The next six months may therefore be decisive in determining whether Lukoil and Mr Alekperov realise their ambitions for the next millennium.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday December 21 1995

Aiding Bosnia

The question confronting the more than 40 governments and 20 international agencies meeting in Brussels to discuss aid for Bosnia-Hercegovina is how to build the conditions for a sustainable peace. Unfortunately, it has no simpla answer. Aid there must be. Bnt it must be carefully designed and co-ordinated.

The brief history of Bosnia-Hercegovina as an independent state has been a tragic disaster: the war has redneed the population by about a million; 250,000 people have been killed; income per head has fallen hy three-quarters, to $500; the infrastructure has been virtually destroyed; and – on the ground, if not on paper – the country has been dismembered. In all this, the "international community" has been both negligent and incompetent. It must do better from now on if the war is not to restart once Nato forces are withdrawn.

As the World Bank has pointed out, 90 per cent of the population is now wholly or partly dependent on food aid; waterborne diseases are increasingly common; more than a third of the health infrastructure has been damaged or destroyed; almost two-thirds of the housing stock has been damaged or destroyed; industrial output fell by about 95 per cent between 1990 and 1994; about 70 per cent of electrical generating capacity is out of operation; and the telecommunications and transport infrastructure have been seriously damaged.

Stable peace

Donors are being asked for a total of US$5bn over three to four years. The aim of the Brussels conference is to come up with $518m, to cover urgent reconstruction in the first three months of 1996. The case for assistanee is indeed a strong one. But aid that entrenched the position of brutal warlords, went directly or indirectly into bank accounts abroad, did nothing for the expropriated, or cemented the economic partition of Bosnia-Hercegovina would be a crime – and a mistake.

A thoughtful paper on postwar reconstruction from the Sussex European Instituta argues that reconstruction must be viewed as a strategy for achieving and sustaining a stable peace. What has happened, it argues, in the Balkans tragedy, above all at its Bosnian epicentre, is an extreme version of the transition in all post-communist societies. In response, the authors recommend assistance that is aimed at the region as a whole; that encourages economic integration, both locally and with the outside world; and that pushes development from the bottom-up. More specifically, it recommends reconstruction of infrastructure; assistance to the development of a civil society, by promoting free media; and support for local productive initiatives.

Open borders

These individual ideas are well worth pursuing. But two still bigger points emerge. The first is that political goals are intimately related to economic ones. The granting of assistance must, for example, be conditional on the way the anthority in the area concerned treats all the people under its control. Use of external assistance to compensate those who have lost all they own is not just right, hut a way of securing greater stability. Insistence on open borders is an essential part of both the economic and the political strategies.

The second point is that assistance, military operations and relations with both the European Union and the wider world must be carefully integrated. Each task must also be assigned to the institution best suited to it and, over everything, there should be a single co-ordinating authority. This means, for example, that the World Bank should co-ordinate economic assistance, while the European Union should use the carrot of access to its market to ensure economic liberalisation throughout the region.

There is just a brief window of opportunity in which to cement this peace. Now is not tha time to be niggardly or to argue over burden sharing. But it is also not the time simply to pour resources into Bosnia. The strategy must start with the imperatives of economic reconstruction, as the world bank argues: But it cannot end there. The aim is peace. That can only be secured by assisting the development of internationally integrated economies and open societies.

Going global in Japan

Honda Motor's announcement that it will next year make more cars overseas than in Japan is welcome proof of the internationalisation of Japan's motor industry. In 20 years, its car makers bave developed a global network of plants. While Honda was not the first company to produce abroad, it is little surprise that it has expanded overseas output more rapidly than Toyota and Nissan, because its bome sales were smaller. Making a virtue of necessity, Honda has led the way in developing overseas research and development centres and in high-profile marketing, such as grand prix racing.

While Japan is often accused of dragging its feet in developing contacts with the rest of the world, its progress in foreign direct investment has been remarkable. According to United Nations statistics, as recently as 1985 Japan's stock of foreign direct investment was only $84bn, half the UK's. By the end of 1993, it bad hit $441bn, nearly double Britain's, and second only to the US total of $595bn.

These investments have brought much-needed infusions of technology and innovative management techniques to host countries, not least the UK. Despite Japan's tradition of isolation, its companies have successfully revolutionised industrial organisation. In this, the car makers, Honda included, set the pace.

Trade critics

This internationalisation has not always run smoothly. Japanese car companies were prodded into investment in the US and Europe by import restrictions and financial inducements. Early factories were not always designed to maximise production efficiency, but to placate trade critics. As a result, profits were low. However, the scale of later investments in developed countries – and increasingly in developing ones – indicates that these ventures are becoming more profitable.

That is welcome, not least because, despite the achievements of the past 20 years, Japan still has some way to go before its industry is as internationalised as the US's or even Germany's. According to Japanese data, in 1992 just 9 per cent of Japanese companies' industrial output was overseas, less than half the figures for the US and Germany.

Japanese foreign direct investment is dominated by large companies such as Honda, Toyota, Sony and Matsushita: smaller ones have been slow to follow. More important, overseas investment is concentrated in those few industries in which Japan has a big competitive advantage – electronics, cars and machine tools.

Profits squeeze

This reflects the strategy of narrowly focused export-led growth which Japanese authorities pursued so successfully after 1945. But in tbe 1990s, growth has ground to a halt, with the economy in recession and exporters finally withering under pressure from the high yen. To survive, leading manufacturing companies are maintaining foreign investment, despite the profits squeeze at home. Their suppliers, and smaller companies, should see it increasingly in their own interest to follow suit.

Meanwhile, the Japanese economy would benefit from greater openness to foreign direct investment. Many inefficient industries – such as chemicals, textiles and pharmaceuticals – are protected from international competition by a host of informal barriers. Yet Japan's inward direct investment last year was half that of New Zealand. This is oot only a constant source of friction with trade partners. It is economic folly. Japanese politicians should take a trip around Honda's foreign plants and see how much economic good a world-beating company can do.

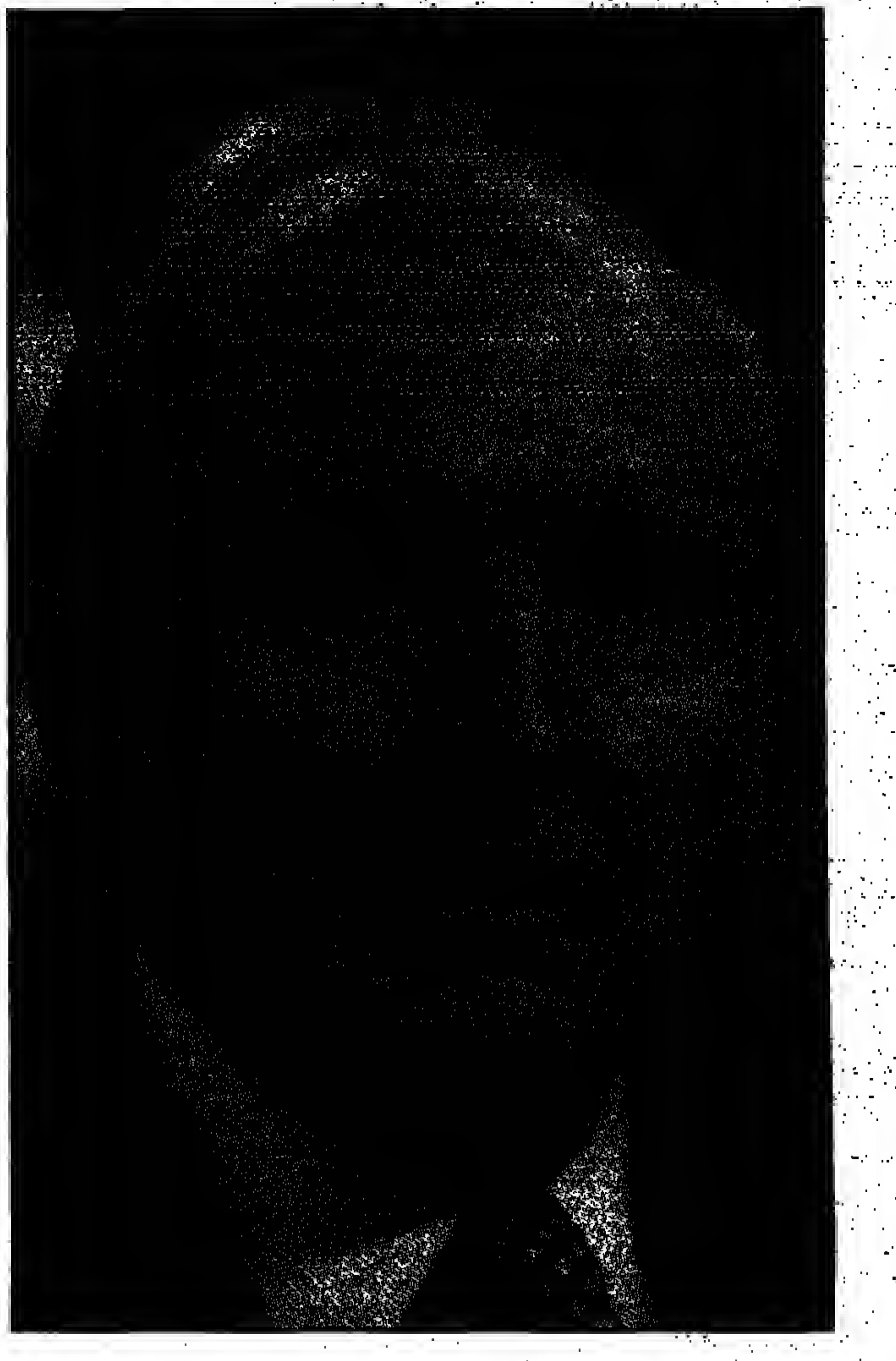
Other countries, not least in the West, which continue to restrict trade and manipulate inward investment also need to realise that they are doing themselves no favours. Although sucb action may sometimes have induced Japanese car makers to set up abroad, it severely handicaps their efficiency. All involved lose from such short-sighted policies. Car manufacturing is increasingly a global industry. To achieve its full potential, it needs a truly global market in which to compete.

The FT Interview · Jack Welch

Big enough to make mistakes

GE's chairman tells Tony Jackson and Andrew Gowers that his $70bn conglomerate has the capacity to 'take a swing at everything'

Mr Jack Welch, chairman of tha giant US conglomerate General Electric, enjoys explaining bimself. Last Thursday morning, be was in fine form, telling a crowd of press and television reporters why his own TV network, NBC, was setting up a joint venture with Microsoft. The logic seemed simple: put together NBC's news operation and Microsoft's software, and produce a 24-hour news channel for the multimedia age.



Later that day, in his corporate pied-à-terre in mid-town Manhattan, Mr Welch put tha venture in a rather different context. Getting together with Microsoft, he said, had a bearing on GE's whole vast industrial empire.

According to Mr Welch – one of the most feared and revered executives in America – business is facing more change in the next decade than in the past century. Electronic communications are transforming the way people buy and distribute goods and services. Invoices are now electronic. Warehousing and inventory management are becoming so.

"That's an enormous transition," he says. "We are grappling with it, studying it every day, having meetings. By . . . being engaged in real-time activities with Microsoft, we hope we won't be just students of it, but active participants."

In other words, whatever NBC learns will be learnt by GE as a whole. This approach is fundamental. Mr Welch brandishes charts to show how he thought of GE in the 1980s, then in the 1990s. First, a collection of 12 businesses, ranging from domestic appliances to aero-engines: oow, a singla entity governed by a set of broad principles – globalisation, information technology, services and new products.

In part, the approach is forced on GE by its size. Its revenues this year will be close to $70bn (£45bn). Since the start of the year its market value has risen from $87bn to a daunting $120bn.

Size also lets Mr Welch shrug off mistakes, such as the $1.2bn collapse of GE's stockbroking subsidiary Kidder Peabody last year. He describes such things, in a characteristic phrase, as "nit-shit": Kidder Peabody, he says, flicking an imaginary speck off his shoulder, was "a journalists' party: nothing more".

In a business as wide-ranging as GE, he concedes, glitches are bound to occur. Nor will every division fire on all cylinders all the time. "Stop saying 'Rolls-Royce or Siemens got an order instead of you', or asking whether we'll ship 50 turbines instead of 60 this year. Don't you worry about that. Just worry wbether the total will give you double-digit earnings growth. If that doesn't happen, come see me."

GE's variety, he argues, is a source of stability in itself. "Once you get into number one or number two businesses [by market position] and you've got scale like we have, the chances of it all going wrong are minimal. A global recession in all businesses could slow us down. But we'd be less slowed down than 99.9 per cent of the institutions in the world."

It is the classic case for the conglomerate. As such, it is also deeply unfashionable. The age of conglomeration is supposed to be dead. This year has seen the planned break-up of numerous giants of American industry from ITT to AT&T and Baxter International. Focus, we are told, is everything; and the company which tries to run various businesses will simply run them badly.

Why is GE different? One central reason lies in an awkward term which GE executives repeat like a mantra: "boundaryless" management. While tricky to define, this seems to boil down to a kind of intellectual openness: between individuals and divisions within GE, and between GE and the outside world.

"Boundaryless behaviour," Mr Welch says, "is a way of life here. People really do take ideas from A to B. And if you take an idea and share it, you are rewarded. In the old culture, if you had an idea, you'd keep it. Sharing it with someone else would have been stupid, because the hureaucracy would have made him the hero, not you."

At the heart of this lies informality. GE, he says, is a $70bn grocery store, where information and best practices get swapped around. "Making a company informal is a very big deal. The informal company can communicate rapidly and make things happen rapidly. There isn't a hierarchy, because we took the layers out."

Informality addresses another problem of the conglomerate – how to share out resources. The rigid hierarchy, with what Mr Welch calls "stove-pipes" – isolated chains of command – finds it hard to choose which businesses to support.

"Here at head office, we don't go very deep into much of anything, but we have a smell of everything. Our job is capital allocation – intellectual and financial. Smell, feel, touch, listen, then allocate. Make bets, with people and dollars. And make mistakes – but we're big enough to make mistakes. Once you have the critical mass and the momentum, you can take a swing at everything."

As an incentive to openness, OE pays its managers increasingly not in salary or bonus, but in shares. A dozen years ago, 280 GE employees were entitled to share options. The figure is now 23,000.

"Let's say your last bonus was $150,000, then you had a great year. You might get 15 per cent more, so you'd taka home maybe $175,000. Say the stock went up 15 per cent. You might take home $2m. So all you care about is the stock price. I can drive behaviour with this. If I make it important for you to share ideas, and reward you, you'll share ideas."

It is this sharing, he insists, which allows GE's performance to improve despite the unforgiving nature of many of its markets. "I just reached 11 per cent operating margins after 100 years in single digits. This year I'm going through 14 per cent. Sure, they're tough businesses, but I'm getting my cost structure better."

And how is this done? "What you do is take on a job on an 8 per cent margin, and tell yourself you've got to get the margin to 30 per cent. You break out teams and they go at it. When you're the size we are, and you get focused on these things, the savings fall out in buckets. That's why we can grow earnings at $1bn a year."

And, he claims, the process can go on indefinitely. "Who runs out of ideas? If you never had another idea, you might as well quit your job. Every day we wake up, there's another basket of opportunities. When you're a $70bn company, you're doing so many things wrong that the amount available from improvement is literally infinite. Our improvements are getting greater with time, not diminishing."

For example, he says, take the airline industry. He flourishes some more charts. Analysis of failure rates in the industry suggests airlines lose about 30,000 bags per 1m handled. The fatality rate among passengers is nothing like as high. "So the same management can get *you* from A to B, but not your bags."

Similar analysis of GE, he says, suggests that failure rates are costing it about 15 per cent of revenues. "That's a $7bn-$10bn opportunity."

The final piece of the jigsaw concerns the allocation of people. At least a third of his time, he says, is taken up in career planning. He produces a thick binder, with handwritten confidential files on individual managers. The pages are thick with histories, diagrams and notes of things done and not done, annotated in different colours.

"Tomorrow, I'll spend two hours with our board talking about the evolution of people. We do that twice a year." One wonders what GE executives – typically hard-driven and ambitious as they are – would give for a glimpse of the highly confidential files.

The biggest job at GE, his own, has been in the limelight lately. A fitness fanatic who has just turned 60, Mr Walch had a triple heart bypass operation in May. The result was a burst of speculation in the press about a race for the succession.

That, he insists, is nonsense. GE has always had a succession plan. Once a year, he gives an envelope to the head of the compensation committee. It contains his thoughts on the succession, to which will be added those of the committee. What is in the latest envelope, of course, he is not saying.

In any case, he also insists, it is not an issue. He will remain until he is 65: he will then retire as he has promised. "We have plenty of able people who have stayed around to see what will happen. It would be morally wrong to stay."

As to his health: "This morning, I started on the treadmill at six o'clock and got off at seven. Then I came to work. And I was up last night till midnight in a meeting with Microsoft. I feel wonderful. I haven't felt this good in a decade."

· OBSERVER ·

Free the Bank of Montreal

■ One of the banking world's oldest and best-known names may be about to change – courtesy of the Quebec separatists.

As the financial markets turned jittery ahead of last October's independence referendum in the French-speaking province, tha top brass at Bank of Montreal started to worry that the name of their 178-year-old bank was becoming something of a liability

The bank, Canada's third biggest financial institution, reckons that its market share in Quebec rose in the run-up to the vote. But the French-speaking province now makes up only about one tenth of its lending business. BMO's expansion is now directed mainly outside Canada, especially the US, where it already owns Harris Bankcorp, Chicago's third biggest bank. It's also seeking ways to tighten links with Mexico's Bancomer, including a possible equity investment.

BMO's affection for its home town has waned since separatists first took office in Quebec in the mid-70s, and almost all BMO's top executives now work out of Toronto. The bank used to alternate its annual meetings between Montreal and Toronto. But this year's AGM was held three time zones away in Vancouver, and shareholders will gather next month in Calgary.

A BMO official insists that no decision on a name change has been taken yet. "We're doing all sorts of awareness testing on all our names," she says. But the institution won't be shy; the hot favourite for a replacement is First Canadian Bank.

Mistake hits Fan

■ An unusually public spat between Cathay Pacific, Hong Kong flag-carrier, and Citic Pacific, the mainland Chinese conglomerate, has highlighted the tensions in Hong Kong's highly profitable airline market.

Cathay and Citic are partners in Dragon Air, a fast-growing Chinese airline. But Citic got upset when Rod Eddington, Cathay's managing director, was quoted in a local newspaper as saying that there was a future for only one airline in Hong Kong in the long term. In fact he had qualified his statement by saying "substantial intercontinental" airline. Henry Fan, Citic's mild-mannered managing director, nearly hurst a tyre on reading Eddington's comments. Citic is Dragon Air's biggest shareholders and Fan responded robustly to the unintended slur on his baby.

The two sides patched up their differences, but the row is a reminder of the potential fragility of the partnerships in Hong Kong's airline market. In fact Citic may have more to fear from China National Aviation Corporation, the commercial arm of China's aviation regulator, than Cathay Pacific. Such is its irritation with CNAC that it has withdrawn from a plan to sell it a 10 per cent stake in Dragon Air.

Spooked

■ In marked contrast to spooks in other parts of the world, the Irish secret service is living high off the hog. According to the budget estimates for 1996, the secret service provision is increased 93 per cent, more than any other government department. Local reports suggest the increase is to cover the retainers paid to an expanding coterie of police informants operating in Dublin's organised crime underworld. With Ireland taking on tha presidency of the European Union in the second half of 1996, the government is obviously taking no chances.

Bequest request

■ Chicago has discovered that art and commerce do mix, after all. City officials have counted up the revenues from the stream of tourists that visited a major exhibition of work by French impressionist painter Claude Monet at the Art Institute of Chicago this summer, and found that Monet spells cash.

The Monet exhibit attracted nearly 1m visitors and contributed about $393m to Chicago's economy. That beat the estimated $240m drawn by last year'a World Cup soccer events, and even tops the $360m next year's Democratic Convention is expected to reap for local businesses. Local aesthetes have now asked Chicago's Mayor Richard Daley to consider those figures before investing $200m in a new stadium to placate the grumpy owners of the Chicago Bears football team. The same amount of money might buy a new wing for the Art Institute.

Making waves

■ Who says print is going the way of tha dodo? Internet, a UK mag vying with a host of others to bring you the nattiest news about surfing through tha 'Net, makes much of its home page on the world wide web. Dialing into its latest top ten menu, one of Observer's colleagues was promptly invited to "browse on for more links from the October issue". Forget it. The news-stand at London's Paddington station is already selling the January edition of Internet.

Mind you, real surfers go one better, being able even now to brighten up those long days awaiting the perfect wave by purchasing the *February* issue of California-published Surfing magazine in London newsagents.

The Financial Times

100 years ago

Railroad investment

A Pacific Coast Railroad (presumably the San Francisco and San Joaquin Valley) has placed an order with English makers for ten thousand tons of steel rails. This is the first importation of any consequence for some time and is said to be a result of the advances made in the price of rails by American manufacturers during the last few months. President Gates of the Illinois Steel Company has stated that: "as long as the American manufacturer is paying the present scale of wages we cannot hope to compete with the English manufacturer at any port on the Gulf of Mexico or Pacific Coast, unless our freight rate is under $5 per gross ton."

50 years ago

UK and US costs

The Costa Rica Railway Company had to buy certain wagons to meet the needs of increased traffic, and found they could be bought more cheaply in the United States than in this country. The matter not only has a bearing on the decline in revenue during the year, but has a wider relationship to the vital question of export trade. The problem must be considered as part of export policy making.

FINANCIAL TIMES
Thursday December 21 1995

Court clears payout to creditors of collapsed bank

Mystery customers still hold $220m with BCCI

By Jim Kelly, Accountancy Correspondent, in London

More than $220m deposited with the Bank of Credit and Commerce International, which collapsed in 1991, has remained unclaimed by nearly 29,000 customers reluctant to come forward for their money.

There will be suspicion that the accounts, held at UK and European branches of the bank but often placed by nominees offshore, were being used for a range of illegal activities from tax evasion to money-laundering.

Mr Stephen Akers, one of the bank's liquidators at accountant Touche Ross, said: "We have noted the accounts and where [investigation] agencies have requested information we have provided what we can."

BCCI collapsed in 1991 with initial debts of $14bn and massive fraud was later discovered. Yesterday a Luxembourg court cleared a settlement for 100,000 creditors who are likely to get an initial dividend of at least 20 per cent in the first half of next year.

However, 28,700 account holders have yet to come forward. It is understood that many of the accounts cannot be linked to individuals but only to nominees – often companies registered in countries such as Colombia and Panama and in the US state of Florida. Balanced against loans to the same customers there is a net $90m unclaimed.

If the accounts remain unclaimed the final dividend paid to creditors will be enhanced. The liquidators of BCCI estimate the final dividend should fall between 30 and 40 per cent – plus proceeds from any legal actions, which could stretch the dividend to 50 per cent.

The liquidators have so far recovered $3.3bn in assets and, through a complex series of agreements, have reduced the initial liabilities of the bank from $14bn to a current level of $10bn.

Yesterday's court ruling in Luxembourg, one of the three jurisdictions in which the bank was registered, cleared the way for a settlement based on a $1.8bn contribution from the government of Abu Dhabi, BCCI's principal shareholder.

The settlement is the second put before the court and was being resisted by former employees of the bank who said it was unfair. Their objections have been dropped following a separate settlement.

Dr Adil Ellas, chairman of the Depositors Protection Association, said: "Now we can celebrate Christmas."

The liquidators have been criticised for the level of their fees since the bank's collapse. It is understood the fees worldwide amount to $300m – about 9 per cent of the assets recovered.

Touche Ross is likely to point out that they compare well with a "rule of thumb" of 10 per cent for insolvency fees.

Donors agree $518m target for reconstruction in Bosnia

By Lionel Barber in Brussels

An international donors' conference for Bosnia yesterday set a target of $518m to cover urgent reconstruction in the first three months of 1996.

The target is intended to be the first slice of an estimated $5bn needed over three to four years to restore housing and basic communications and provide economic aid to secure a fragile peace.

The two-day conference in Brussels was attended by more than 40 countries and 20 international agencies under the joint chairmanship of the European Commissioo and World Bank.

Conference officials expressed guarded optimism about reaching the $518m target which would allow work to go ahead on restoring water, gas and electricity, and to pay teachers and nurses.

The World Bank says about 70 per cent of electricity generating capacity is damaged or out of operation. Coal production has dropped to less than 10 per cent of its prewar level.

Before the war, the country had 375,000 telephone connections and 4,000 international lines – it uow has 260,000 and 400, mostly in poor condition, according to the Bank.

Mr Hans van den Broek, EU commissioner for external relations, announced that the EU was pledging $100m immediately, while the Bank is standing by with an initial $100m.

Several key issues are unlikely to be resolved at the Brussels meeting.

Editorial Comment ....Page 11

● Co-ordination. The Bank has a track record in postwar reconstruction, but is sharing responsibilities with the European Commission and other agencies eager to make their mark after the perceived failure of European diplomacy during the conflict.

Reconstruction must also dovetail with Nato's military operation to enforce the Dayton-Paris peace agreement between the Bosnian Moslems, Serbs and Croats – which officially took over from the United Nations mission yesterday – and the civilian operation led by Mr Carl Bildt, the former Swedish prime minister and international high-representative in Bosnia.

● Burden-sharing. Europe is pushing for a split along the lines of one-third for the EU, one-third for the US and one-third for Japan, the Islamic nations and Asia. The US argues it is providing the lion's share of the Nato operation and is dispatching ground forces on a risky mission. Washington says its hands are virtually tied by a hostile Republican majority in Congress.

● Conditionality. Questions remain about the conditionality underlying the aid effort, especially in dealing with the Bosnian Serbs, widely viewed as the aggressors.

More than 250,000 people were killed in the Bosnian war, more than 200,000 wounded and 13,000 permaoently disabled. Bosnia lost almost half of its territory, chiefly to the Serbs, and almost one quarter of its population.

British scientists win race to isolate cancer gene

By Clive Cookson, Science Editor

Scientists at the Institute of Cancer Research in London have won the most competitive race in medical research this year – to isolate the second gene responsible for inherited breast cancer.

The team led by Dr Mike Stratton has beaten several US-based groups. Researchers at Myriad Genetics and the University of Utah, who identified the first breast cancer gene (BRCA1) last year, were widely regarded as favourites to find the second gene (BRCA2) too.

Defects in BRCA1 and BRCA2 are each thought to be responsible for 30-40 per cent of inherited breast cancer cases. This form of the disease, which runs in families and tends to occur in younger women, accounts for about 5 per cent of all breast cancer; it is responsible for many thousands of deaths a year worldwide.

Now that both genes have been isolated, scientists will quickly develop genetic tests that women with a family history of breast cancer can take to discover whether they are individually at risk. The lifetime risk of contracting breast cancer for someone with abnormal BRCA1 or BRCA2 is thought to be about 80 per cent.

In the longer run, the discovery will give pharmaceutical researchers vital information about the molecular mechanism by which cancer occurs. This will enable them to design more effective anti-cancer drugs and, possibly, find ways to switch off or repair the defective gene through "gene therapy".

Dr Stratton and some of his colleagues had been critical of the way Myriad Genetics, a biotechnology company funded by US pharmaceutical giant Eli Lilly, patented BRCA1 last year. They said scientific co-operation would be inhibited in future if an important gene, whose discovery was due to the shared results of researchers worldwide, became the private property of the company that won the last lap of the race.

But the UK Cancer Research Campaign, the charity that funds the Institute of Cancer Research, announced yesterday that it had filed patent applications for BRCA2 through its technology transfer company, CRC Technology. The scientific details are published today in the journal Nature.

Dr Stratton said that, in spite of his team's doubts about the principle of patenting human genes, he accepted CRC had to patent BRCA2 once Myriad had patented BRCA1. The rival teams will now have to work together to produce comprehensive tests for screening women at risk of breast cancer.

Growth treatment, Page 13

Goldman

Continued from Page 1

be content with over a period of time". He said the group had worked to broaden the risks it took on its own account, and it had made it a priority to increase the significance to group earnings of its asset management business, from which earnings are less volatile. This could come through internal expansion or acquisition, he said.

Polish crisis at spy claim

Continned from Page 1

organisers of this action." He said these came from Mr Walesa's camp. Later, Mr Oleksy was due to attend a meeting of parliament's security committee which had heard Mr Andrzej Milczanowski, the interior minister, outline the alleged contacts with foreign agents.

Mr Jozef Zych, speaker of parliament's lower chamber, who is responsible for the presidential inauguratioo on Saturday, confirmed that the situation was "serious", but said that Mr Kwasniewski's swearing-in ceremony would go ahead as planned.

The crisis could bring about the fall of the government if the Polish Peasant party (PSL), the junior coalition partner, were to abandon Mr Oleksy's former communist Left Democratic Alliance.

THE LEX COLUMN

The sun almost rises

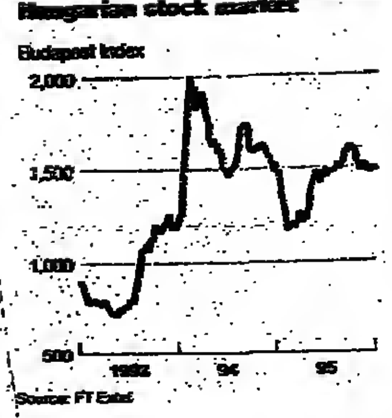
The Japanese government's long-awaited bailout of the country's housing loan companies looks at first glance like a major step towards resolving the bad debt crisis. The housing lenders were the ultimate basket cases, with over Y7,000bn in non-performing loans. The main banks had a similar sum tied up in them and the deal paves the way for their orderly liquidation.

More importantly, the rescue lifted hopes that the taboo on using public funds to fill holes in banks' balance sheets has been finally lifted. Y1,300bn of taxpayers' money will be made available to clear out the companies' bad debts, so it is not surprising bank shares led the way in another impressive stock market rally.

But does it really help the banks? The lopsided nature of the deal, under which the banks will write off more than two-thirds of their total loans to the mortgage lenders, while the agricultural co-operatives – the biggest creditors – will write off only 10 per cent of theirs, was about the worst possible outcome for the banks. All that public money has gone into the farmers' benevolent fund – not into the coffers of weak banks. Some of these will be brought close to the brink by the write-offs they will be forced to make. The deal looks more like a panicky political compromise than a triumph for level-headed financial management. With an election looming, the government knows there are more votes in farmers than in bankers. It will not resolve the real banking crisis.

FT-SE Eurotrack 200:
1565.7 (+13.4)

Hungarian stock market



Source: FT Extel

Hungary

The sale of a second slug of Matav, Hungary's national telecoms operator, saves face on both sides. Deutsche Telekom and Ameritech of the US, the buyers, have managed to block a flotatioo of Matav. This might easily have produced a share price so low it would have forced them into a write-down of their original stake. But they are paying a hefty $852m for another 37 per cent in a company over which they already in effect have management control. As for the Hungarian governmeot, flotatioo was undoubtedly its preferred optioo and may still happen at a later date. Meanwhile it gets some cash and maintains the momentum of its privatisation programme. This is a vital part of the government's plans to reduce the country's crippling $21bn net foreign debt burden. It is also important for perceptions of the country among international investors. Hungary was the first east European country to outline a wide-ranging sale of state assets, back in 1990. But lately this has been eclipsed by large-scale voucher privatisations in the Czech Republic, Poland and Russia. Meanwhile, Hungary's appeal has suffered from the country's macro-economic problems and the poor liquidity of the Budapest stock market.

The reality, though, is that Hungary has already gone further than most. Following the sale of Matav and eight electricity and six gas distribution companies this year – largely to German and French trade buyers – over 80 per cent of the economy should be in private hands by the end of 1997.

Remuneration

Heads of investment banks may have managed the financial markets successfully this year, but the thorny issue of executive remuneration continues to defeat them. This year's bonus crop is a bumper one. This is not necessarily bad news, provided bonuses are tied to performance, linking shareholders' and employees' interests. But competition for top executives on Wall Street, as European banks bid up salaries, is making cost control even harder than usual.

Some schemes prevalent on Wall Street seem to offer greater benefits to managers than to shareholders. PaineWebber is one of a number of firms which lends money to executives to allow them to make highly leveraged bets on the market. Despite giving them leverage of four times their own investment, the executives are only exposed to the loss of their own capital. The shareholders, then, bear the cost of any bets which go wrong – and similar schemes at other firms have gone spectacularly wrong in the past.

One justification is that such schemes tie executives to the company, since they lose the deal if they leave. But there are better ways of doing this, for example by offering shares which include a lock-up period. And some of the prime names on Wall Street, like Merrill Lynch and Morgan Stanley, manage to keep top performers without offering such leveraged schemes. As firms struggle to find new ways of attracting staff, investors should perhaps pay greater attention to remuneration policies in annual reports.

Hanson

Hanson's £1.5bn disposals programme raises interesting comparisons with fellow conglomerate BTR. Both companies are following the big deal with a rush of disposals. But the big difference between the two thus far is that BTR has achieved clean disposals which improve strategic focus without damaging earnings. Hanson, by contrast, is pursuing piecemeal disposals, spread over a long period of time, with a resultant decline in earnings. Indeed, the combined pro-forma impact of Hanson's recent strategic moves – including the demerger of USI and purchase of Eastern Group – will be lower earnings per share in the year to September 1996. So much for the idea that conglomerates add value through shuffling assets.

At least the sale of Cavenham and the flotation of Suburban Propane considerably strengthen Hanson's balance sheet. Gearing will drop back into double digits and the additional disposal of Hanson's National Grid stake should mean that interest cover returns to a more comfortable 5.5 times by September. This should give investors greater confidence that the dividend payout can be maintained – something not implied by the current 8 per cent dividend yield.

The problem for Hanson is that, while disposals will bring the debt down, they are doing little to improve earnings and cash flow. Until the company can demonstrate that its rising level of expansionary capital expenditure will deliver the returns the management promises there will be little justification for chasing the shares.

Additional Lex comment on UK rail privatisation, Page 17

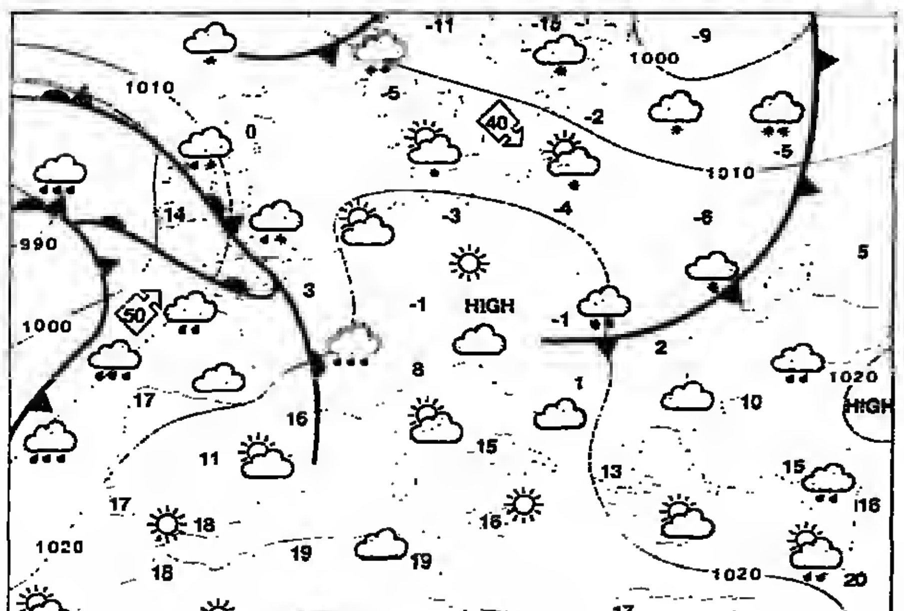
FT WEATHER GUIDE

Europe today

A frontal system over the Atlantic accompanied by a surge of mild air will move north-eastward, bringing cloud and rain to tha British Isles, north-western France and Portugal. However, northern Ireland and northern England will have snow. Temperatures over much of the continent will be higher than in the past few days. The Benelux, Germany and Poland will have morning fog, while the Balkan states will be cloudy, with some snow in Romania and the former Yugoslavia. Southern and western Spain, southern France, Italy and Greece will remain dry and sunny, but Turkey will continue cloudy and wet. There will be snow along the Norwegian and Finnish coasts.

Five-day forecast

Mild, humid air over south-western and western Europe will spread to central and eastern Europe on Friday and Saturday, bringing heavy rain or snow. From Sunday north-westerly winds will bring cold air and wintry showers to western Europe, and much of the region can expect a white Christmas. Northern Europe will remain very cold, and the Mediterranean area will become unsettled, with showers during the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	7	Caracas	fair	31
	Celsius		Belfast	rain	5	Cardiff	rain	8
Abu Dhabi	fair	25	Belgrade	snow	0	Casablanca	fair	19
Accra	fair	32	Berlin	sun	-2	Chicago	fair	-4
Algiers	fair	19	Bermuda	shower	19	Cologne	sun	1
Amsterdam	fair	1	Bogota	thund	19	Dakar	sun	27
Athens	sun	15	Bombay	sun	33	Dallas	fair	11
Atlanta	sun	9	Brussels	sleet	2	Delhi	fair	23
B. Aires	fair	31	Budapest	sun	0	Dubai	fair	24
B.ham	rain	5	C.hagen	fair	0	Dublin	rain	9
Bangkok	fair	33	Cairo	cloudy	19	Dubrovnik	fair	12
Barcelona	sun	15	Cape Town	shower	25	Edinburgh	sleet	2

Faro	sun	18	Madrid	sun	11	Rangoon	sun	32
Frankfurt	sun	1	Majorca	sun	15	Reykjavik	sun	-5
Geneva	fair	9	Malta	sun	17	Rio	cloudy	27
Gibraltar	sun	17	Manchester	rain	5	Rome	sun	15
Glasgow	sleet	2	Manila	shower	29	S. Frsco	fair	13
Hamburg	sun	-2	Melbourne	shower	19	Seoul	fair	4
Helsinki	fair	-10	Mexico City	fair	20	Singapore	shower	31
Hong Kong	cloudy	13	Miami	sun	21	Stockholm	sun	-7
Honolulu	fair	29	Milan	hazy	6	Strasbourg	rain	4
Istanbul	fair	11	Montreal	snow	-6	Sydney	fair	24
Jakarta	thund	32	Moscow	snow	-7	Tangier	fair	18
Jersey	rain	12	Munich	snow	1	Tel Aviv	shower	19
Karachi	fair	28	Nairobi	fair	26	Tokyo	fair	9
Kuwait	fair	19	Naples	fair	15	Toronto	snow	-6
L. Angeles	sun	18	Nassau	fair	25	Vancouver	shower	6
Las Palmas	fair	23	New York	snow	0	Venice	hazy	8
Lima	fair	24	Nice	sun	15	Vienna	sun	1
Lisbon	rain	16	Nicosia	shower	14	Warsaw	cloudy	-4
London	rain	7	Oslo	sun	-3	Washington	fair	1
Lux.bourg	sleet	2	Paris	sun	3	Wellington	shower	19
Lyon	rain	9	Perth	[illegible]	[illegible]	Winnipeg	fair	-3
Madeira	shower	21	Prague	sun	-2	Zurich	rain	4

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 21 1995

IN BRIEF

Shareholders back RTZ-CRA merger

Shareholders in RTZ, the UK mining group, gave overwhelming approval for the merger with CRA of Australia that will produce the world's biggest mining company. CRA shareholders had given their approval a few hours earlier. New conditions imposed by the Australian government before it would approve the merger were "not remotely onerous and should not give concern to any shareholder", Mr Bob Wilson, RTZ's chief executive, told his group's shareholders. RTZ has agreed to cut its shareholding in CRA from the present 49 per cent to 39 per cent during the next 10 years. Page 20

Groups pay $852m for control of Matav
Ameritech, the US regional telecommunications operator, and Deutsche Telekom agreed to pay $852m for a further 37 per cent stake in Matav, the Hungarian telecoms company in which they jointly took a minority stake in 1993. Matav becomes the first national operator in the former eastern bloc to pass to majority foreign ownership. Page 14

Endesa extends S American investment
Endesa, Spain's largest electricity utility, has reasserted its expansive strategy in Latin America with investments totalling Pta35bn ($286.5m) in Argentina and Peru. Page 14

Sluggish sports cards slow Huhtamaki
The absence of a turnround in the US collectible sports cards market was felt in Finland when Huhtamaki, the Helsinki-based group with interests ranging from confectionery to contraceptives, warned of a sharp fall in profits this year. Page 14

USAir jumps after profits optimism
Airline stocks rose sharply on Wall Street yesterday after USAir, the US airline in which British Airways holds a minority stake, said this year's profits were likely to be higher than analysts had forecast. Page 16

Forte sells US hotel chain for $175m
Forte, the UK botels company fighting a £3.2bn ($5bn) bostile bid from Granada, the TV and leisure company, yesterday said it had sold its US Travelodge chain of botels for $175m to a consortium led by Hospitality Franchise Systems Incorporated, the US botel franchising company. Page 17

MBO launched for Skellerup Industries
Former banker Mr Murray Bolton has launched a NZ$400m (US$261m) management buy-out for Skellerup Industries, the New Zealand retail and industrial group he heads. Page 20

Groups join to develop Chile copper
Equatorial Mining, the Australian company, and Luksic, one of Chile's biggest industrial groups, are to jointly develop their copper deposits in the El Tesoro area of Chile in a $200m project. Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bil & Berger	540	+	10.5
Heidelb Zem	895	+	15
Henkel	545	+	10.5
Karstadt	587	+	11
Wella	759	+	23
Falls			
Aachen Mch	980	-	20
NEW YORK ($)			
Rises			
Chesapeake	48¼	+	3⅞
CKS	28	+	4
Potash	69¾	+	4½
Secure Comput	56	+	4
Falls			
Medic Comp	57	-	4½
Netscape Comm	138½	-	6⅝
LONDON (Pence)			
Rises			
Anagen	76	+	19
Filtronic Comık	433	+	38
Gen Accident	651	+	28
Natl Power	447	+	18
Stagecoach	315	+	22
Falls			
CALA	87	-	24
TORONTO (C$)			
Rises			
Boreal	84¾	+	1¼
[illegible]-L Fin	85	+	2
[illegible]en Motors	78	+	1⅞
[illegible]ummingbird	61½	+	7
[illegible]tosh	94	+	4
[illegible]lls			
[illegible]gram	47½	-	1¼
PARIS (FFr)			
Rises			
Air Liquide	810	+	16
Legrand	754	+	28
Roussel-Uclaf	830	+	35
Falls			
Cr Foncier	67.45	-	15.5
Dollfus Mieg	189.8	-	10.2
Intertechnique	256	-	14
TOKYO (Yen)			
Rises			
Fuji Bk	2350	+	50
Hitachi	985	+	17
Honda Motor	1960	+	30
Nissan Motor	747	+	12
Oki Elec	924	+	19
TDK	5090	+	240
HONG KONG (HK$)			
Rises			
HSBC	15	+	1.5
Hang Seng Bk	69	+	1.5
Henderson Land	46.4	+	0.8
Sun Hung Kai	61	+	2
Swire Pac A	59.75	+	1.2
Wing Lung Bk	42.9	+	0.9
BANGKOK (Baht)			
Rises			
Advanced Info	440	+	10
Alphatec Elec	356	+	12
Asia Credit	175	+	13
Siam Cement	1324	+	12
Siam Com Bk	354	+	13
Falls			
Deves Ins	104	-	8

New York & Toronto prices at 12.30.

Hanson seeks £1.5bn from US disposals

By David Wighton in London

Hanson, the industrial conglomerate, yestarday announced plans to raise £1.5bn ($2.4bn) from the disposal of its US businesses Suburban Propane and Cavenham Forest Industries.

Hanson proposes to float Suburban Propane, retaining a minority staka, while Cavenham is likely to be broken up and sold to several buyers.

The proceeds will reduce Hanson's heavy borrowings of £4.7bn following its £2.5bn acquisition of Eastern Group, the UK regional electricity company. Analysts estimated that the sales would have reduced Hanson's pro forma gearing from 136 per cent to around 90 per cent at its September 30, 1995 year-end. But the disposals are expected to lead to a marginal dilution of earnings per share.

The shares added 4½p to 189½p yesterday, even though the moves were widely expected following Hanson's statement last month that it planned to realise £2bn from the disposal of non-core assets over the next year. In addition to Suburban Propane and Cavenham, Hanson is looking to raise up to £150m from the sale of Seven Seas, its UK vitamin supplement business. It is also committed to selling Eastern's stake in the National Grid, which is valued at about £420m, within 12 months.

Mr Derek Bonham, chief executive, said: "These disposals are part of our programma to concentrate on fewer, larger activities."

Hanson plans to turn Suburban Propane into a master limited partnership, a structure which offers tax advantages to wealthy individuals. It will make a public offer of 62 per cent of Suburban.

Suburban will also issue $425m of senior debt, passing most of the proceeds on to Hanson.

The third largest distributor of propane gas in the US, Suburban has a market share of only 6 per cent. Hanson believes there are opportunities to buy up smaller distributors whose vendors would prefer new Suburban paper rather than cash for tax reasons.

Suburban, which joined Hanson as part of the Quantum Chemical acquisition two years ago, saw profits fall to £41m last year, from £56m, due to the mild winter.

Cavenham, which Hanson acquired for $1.3bn in an asset swap with Sir James Goldsmith in 1990, is the ninth largest private timberland owner in the US. Its profits fell to £95m, from £117m, last year as lumber prices weakened.

Mr Bill Landuyt, head of Hanson's US operations, said Hanson had "dramatically" increased Cavenham's timber margins and that its assets were now worth more to buyers with specific timber needs or adjacent forests. He added that a sale to a single buyer was not precluded. Hanson is handling the disposal in-bouse.

Lex, Page 12

Seat expects to reduce annual deficit this year

By David White in Madrid

Seat, the Spanish carmaker owned by the Volkswagen group, expects a redneed pre-tax loss in 1995, compared with last year's Pta44.8bn ($367m), but is not out of the red, according to Mr Utz Claassen, its German finance chief and executive vice-president.

Mr Claassen said in an interview that the company, which last month received the go-ahead from the European Commission for a Pta46bn package of state aid to belp it restructure, was on course to break even in 1997 after five years of losses.

Seat could not expect further government aid or fresh capital injections from Volkswagen, which took it over in 1986, he said. But, "the behaviour of the Volkswagen group has shown very clearly that it wants Seat to have a future."

He emphasised the company's strategy was based on a gradual, continuous improvement and that it was not depending on "excessive growth expectations". The 1995 result would not benefit from the extraordinary gains registered in the previous year through the sale to Volkswagen of the company's Pamplona car plant and its Fiseat financing arm. Any redoction in the overall loss would therefore be "a very good result", Mr Claassen said. In 1994, Seat's loss after tax credits shrank to Pta29.5bn from a record Pta151.3bn in 1993.

Operating losses this year would be "close to zero" and the company had made progress in cutting financial costs, he said. Sales to distributors would be about Pta320bn against Pta313.7bn last year.

Cash flow would be positive and was planned to remain so for the next five years, he said. This would mean Seat would be able to finance its own investments and progressively reduce debts.

The aid package from the central Madrid government and regional authorities in Catalonia, where the company is based, was approved on a "one time, last time" basis by the Commission and is conditional on a 29 per cent reduction in capacity from the 1993 level of abont 800,000 cars a year. Actual production bas remained well below that level.

Mr Claassen said the "vast majority" of measures stipulated by Brussels eitber had been taken or were under way.

Car production would be about 345,000 this year, an increase of about 10 per cent on 1994 but with a similar workforce of about 12,500, Mr Claassen said. He said Seat could become profitable with annual output of 400,000-500,000 cars, and sbould pass 400,000 next year.

PolyGram to buy Goldwyn film library

By Alice Rawsthorn in London

PolyGram, the entertainment group wbicb issned a profits warning this week, has agreed to bny tha film and television library of The Samuel Goldwyn Company, the financially-tronbled US film business, for $62m in casb.

The acquisition follows PolyGram's $156m purchase this year of Lord "Lew" Grade's ITC Entertainment, wbicb owns many film and television rights.

Goldwyn, wbicb has been searching for capital to rednce its debts, has sold the rights to 850 feature films and a number of television series such as *Flipper* and *American Gladiators*.

The films inclnde recent prodnctions by Mr Samuel Goldwyn Jnr, chairman, notably *The Modness of King George* and *Much Ado About Nothing*, as well as vintage movies, such as *Wuthering Heights* and *The Little Foxes*, prodnced by bis father, "Old Sam", co-founder of Metro Goldwyn Mayer, one of the classic Hollywood studios.

PolyGram was one of the first companies to declare an interest in the library when Goldwyn put it up for sale tbis anmmer. Turner Broadcasting was initially seen as the front-runner, until it withdrew from the deal following its acquisition by the Time Warner entertainment group in August.

Completion of the deal was delayed while PolyGram negotiated an extension to the licence for some of the 75 vintage movies in the library from 15 to 20 years.

Goldwyn still owns Landmark Theaters, a 126-strong chain of US cinemas, and has a number of films in development.

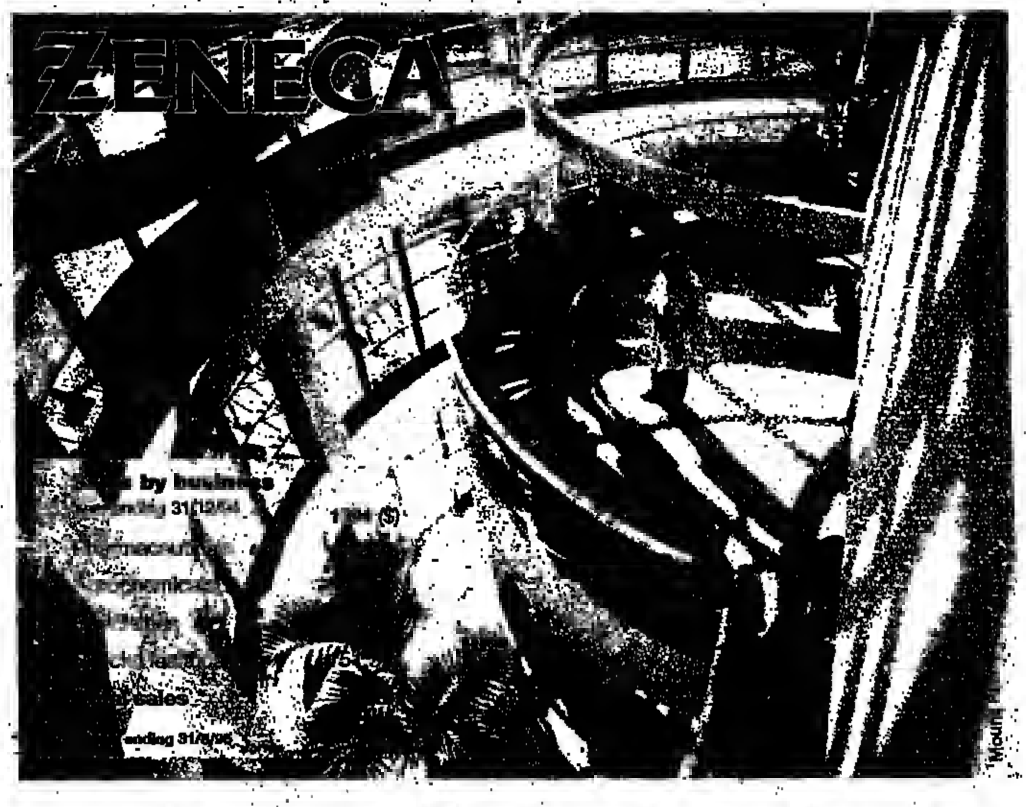
Mr Meyer Gottlieb, president, said the company would be rebuilt as "a viable, aggressive independent".

The completion of the Goldwyn deal came a day after PolyGram warned that its 1995 profits would be static against 1994, when it made pre-tax profits of Fl 1.08bn ($675m) on sales of Fl 8.6bn.

Mr Alain Lévy, chairman, stressed that PolyGram would return to profit growth in 1996. The group said the Goldwyn deal illustrated its determination to continue expanding its four-year-old film business. PolyGram has been mooted as a prospective purchaser for the MGM studio.

Zeneca sees rapid expansion with unusual cancer treatment

UK drugs group takes Salick's growth treatment



Breast cancer ontpatients at the Mount Sinai hospital in Miami Beach pick from seven treatments. They can risk side-effects by choosing chemotherapy, or take a less aggressive, and perhaps lass effective, approach. They can even opt for homeopathic treatment.

Patient choice is just one of the unusual features of the hospital's new cancer wing. It is open day and night; it has in-house counsellors and nutritionists, and is controlled by Zeneca, the UK drugs company.

Zeneca, seen as the most cautious of UK drugs companies, plans strong growth in antonomous cancer outpatient clinics in the US, Europe and Asia.

However, the strategy has risks and may be seen as controversial: Zeneca is the only large drugs company to be treating patients directly and is the world's number two cancer drug supplier.

Its vehicle for the move into cancer clinics is Los Angeles-based Salick Healthcare. In April, Zeneca paid $195m for 50 per cent of Salick, with an option to buy the rest in two years. The Mount Sinai wing is Salick's 10th US cancer clinic.

Salick's sales of $151.3m in the year to August 31 are dwarfed by Zeneca's $7bn. The UK company has nevertheless created a fourth operating division for its acquisition. Salick was founded in 1983 by Dr Bernard Salick, a kidney specialist. It is growing at about 15 per cent a year, twice as fast as Zeneca. More importantly, it operates in a large market untapped by Zeneca – or any other large drugs company – the US bospital industry, with $800bn a year of turnover.

Mr David Barnes, Zeneca's chief executive, does not hide his ambitions. "The cost of drugs is 7 per cent of total US healthcare spending. Salick gives us the opportunity to reach the other 93 per cent of the healthcare market," he says.

Dr Salick is confident that his formula for running bospitals will give Mr Barnes what be wants. The model has two features. Firstly, Salick's researchers compare different cancer treatment regimes in terms of effectiveness and cost. They compile data from all 10 Salick cancer clinics. Dr Salick claims that large database helps the accuracy of its research results.

Secondly, Salick packages cancer treatment in a way that can cut costs while appealing more to patients.

The doctors are not directly employed by Salick. They work for the hospital which the clinics are associated with, earn their fees and pay an overhead to Salick for the use of the clinic, its staff and equipment.

By opening in the evenings and at weekends, more patients can be treated. On site laboratory analysis means that test results can be returned within minutes rather than hours or days.

It translates into savings of 10-15 per cent over a hospital's in-house services, says Dr Salick.

The company appeals further to cash-consciona hoapital authorities by putting up the capital to build the outpatient wings. The Mount Sinai wing cost $15m.

The hospital retains ownership and Salick has a 20-year lease. Dr Salick is convinced that his guaranteed cost savings will force governments in Europe to consider giving him business.

Salick's grasp of the costs of cancer care has allowed it to break new ground by signing a type of deal called "capitation". Under capitation, the healthcare needs of an entire population are catered for on a flat fee per head. Salick's contract with a Florida organisation called the Physicians Corporation of America (PCA) is to treat cancers among PCA's members.

Expertise in capitation and a willingness to invest capital seem almost tailor-made for the European market, especially the UK.

But there are obstacles to Salick's growth, not least Zeneca's role as a cancer drug manufacturer. Salick clinics are helping test Zeneca's products in development. Mr Barnes says this is helping it gain a better understanding of what cancer doctors want out of drugs.

But it lays Zeneca open to accusations that doctors are under pressure to prescriba Zeneca products.

Mr Barnes says this is not so. "Wa cannot put our investment at risk by preventing doctors doing what they believe to be best for the patient."

And managers of several UK hospitals have invited proposals from Salick to take over the running of some cancer services. None has coma to fruition.

The eyes of the drugs and healthcare industries are on Zeneca's venture. If it works, Zeneca's growth could accelerate and the shape of cancer treatment could change. If it does not, tha drugs industry may come to view treating patients as out of bounds.

Hoechst shake-up, Page 14

Daniel Green

France Télécom chief plans three-way split in operations

By John Ridding in Paris

Mr Michel Bon, chairman of France Télécom, yesterday announced a restructuring of management at the state-owned operator and outlined his strategy to prepare for the liberalisation of Europe's telecoms market.

Presenting proposals prepared during his three months at the helm of France Télécom, Mr Bon said the priority was to increase use of telecoms services and to make the operator more responsive to client demands.

"On average, people in France use a telepbone line for eight minutes each day, compared with 20 in the US," be said. He set a target of increasing traffic from 120bn minutes annually to about 170bn by 2000.

Mr Bon said the development of mobile telecoms and information services would lead moves to increase sales. France Télécom is one of the country's two mobile telecoms operators, although Bouygues, the construction group, has been awarded a third licence. "The use of personal computers is also a considerable reservoir of traffic," said the France Télécom chairman.

His central message was the need to improve marketing. "France Télécom is too centralised, which damages its ability to react," he said, announcing plans to split the group into three operating branches – mass public, companies, and networks. He said he was seeking an outsider to head the public division.

The reforms did not imply a significant cut in the company's 150,000 workforce, but required increased flexibility in the setting of tariffs and a stronger commercial effort. He said productivity at France Télécom, as measured by the number of lines per employee, was comparable to the best international operators.

However, Mr Bon noted "a demotivation" within the company prompted by the length of the decision-making process and fears about the loss of the operator's monopoly status with the liberalisation of the European telecoms market from 1998.

Mr François Fillon, the telecoms minister, has said the government could sell a stake of up to 49 per cent in France Télécom as early as next year.

Czech GSM licence, Page 14

EUROPEAN NEWS DIGEST

Telecoms groups seek Czech mobile licence

The Scandinavian telecommunications groups TeleDanmark and Telenor are to make a joint bid for a 49 per cent stake in a GSM mobile telephone licence in the Czech Republic. They said yesterday they would be "equal partners" but that TeleDanmark would have a majority stake to abide by rules of a tender for the stake laid down by the Czech government. The Czech technology group Ceske Radiokomunikace, which operates television and radio signal transmission in the country, will own 51 per cent of the licence. The licence will cost about $15m but developing a nationwide GSM network would cost "several hundred million dollars", said Mr Harald Grytten of Telenor, the Norwegian telecoms group. Analysts have put the cost of a new network at between $300m and $500m. Most of the finance to develop it will be provided by the selected partner. *Vincent Boland, Prague*

Sodexho acquires Partena

Sodexho, the French contract services group, yesterday acquired Sweden'a Partena for SKr1.5bn ($226m) from joint owners Volvo and the investment company Industri Kapital, capping a year of aggressive expansion. Partena, with expected 1995 sales of SKr3.5bn, will plug a Nordic gap for Sodexho, which to date has not been present in Sweden. The Swedish company covers care, catering, cleaning and security services and is a leader in the Nordic countries. Projected 1995 earnings are SKr150m.
Hugh Carnegy, Stockholm and Andrew Jack, Paris

Viag sells Didier-Werke stake

Viag, the German conglomerate built around the Bayernwerk utility, yesterday sold its remaining 25.5 per cent stake in Didier-Werke, the fire-resistant materials business, to Veitsch-Radex of Vienna. The sale is the second leg of a deal which saw Viag sell the first 25.5 per cent stake to Veitsch-Radex last December. *Michael Lindemann, Bonn*

Sweden combines 'bad banks'

Sweden'a Bank Support Authority, set up in 1992 to oversee the rescue of the country'a loan loss-crippled banking system, said yesterday it was combining the two "bad banks" set up by the state to take on more than SKr100bn ($15bn) in sour credits as part of the bail-out operation. Retriva, the company set up to unwind loans of SKr43bn taken out of Gota Bank, is to be taken over by Securum, which took on SKr67bn of loans from Nordbanken. *Hugh Carnegy, Stockholm*

Vendex expands into Spain

Vendex, the Dutch retail and business services group, is to expand its temporary-employment activities into Spain through the acquisition of a 30 per cent stake in Laborman, the country's second-largest temporary employment agency. It has also acquired an option to raise its holding to 100 per cent at a later stage. *Ronald van de Krol, Amsterdam*

KNP BT to buy 10 distributors

KNP BT, the Dutch paper, packaging and office products group, said it had reached agreement in principle on buying eight office-prodnct distributors in the US and two in Germany. Tha 10 companies to be acquired will add $130m in turnover to KNP's office products division, BT Office Products International, which had 1994 turnover of $945m. The Dutch group raised $115m by floating 30 per cent of BT Office Products in New York in July. *Ronald van de Krol*

US-German team secures Matav deal

By Virginia Marsh in Budapest

Ameritech, the US regional telecoms operator, and Deutsche Telekom yesterday agreed to pay $852m for a further 37 per cent stake in Matav, the Hungarian telecommunications company in which they jointly took a minority stake in 1993. Matav becomes the first national telecoms operator in the former eastern bloc to pass to majority foreign ownership.

The sale, together with the US-German consortium's purchase of a 30.3 per cent stake for $875m two years ago, is the region's largest privatisation to date and the largest foreign investment in Hungary. APV Rt, the state privatisation agency, was advised by CS First Boston.

The deal's completion, after months of negotiation, is the culmination of a series of recent sales by APV. In the past month the agency has raised about $3bn – equivalent to 7.5 per cent of last year's gross domestic product – mainly from the sales of stakes in utilities. As well as Matav, it has sold off much of the country'a electricity and gas sectors to foreign utilities, mainly from Germany and France.

APV said the consortium, in which Ameritech and Deutsche Telekom have equal shares, had undertaken to float the company and reduce its stake from 67 per cent to 50 per cent plus one vote within a fixed period of time.

The state is to retain a 25 per cent plus one stake in Matav, one of Hungary's leading blue chip companies, while management and employees are to be offered up to 2.7 per cent.

Consortium officials have consistently argued against an early pnblic offer on the grounds that the company would fetch more once it had completed a three-year Ft210bn ($1.5bn) investment and restructuring plan begun last year. A lower price than that paid by the consortium would have forced Ameritech and Deutsche Telekom to depreciate their investments at a loss.

Dr Ron Sommer, Deutsche Telekom chairman, said the consortium was committed to developing further Hungary's telecoms infrastructure and to making Matav the region's leading telecoms company. As part of its successful bid in 1993, the consortium agreed to make Matav an international telecoms hub and to increase the number of telephone lines by 15.5 per cent annually – a target it will exceed by 8 percentage points this year.

Mr Walter Catlow, Ameritech vice-president, said the Hungarian telecoms sector was the most attractive for investment in the region. Ameritech is in dispute with the Polish government, which it alleges has reneged on a promise to grant it a digital mobile telephone licence.

Hoechst to cut 8,000 jobs in pharmaceutical division

By Wolfgang Münchau in Frankfurt

Hoechst, the German pharmaceutical and chemical group, is to make severe cuts in the number of its production plants as part of a wide-ranging restructuring plan to axe 8,000 jobs in its pharmaceutical division by 1997.

Hoechst said yesterday that it would close more than half the number of final assembly plants from a current 77 worldwide, while tbe oumber of plants that produce pharmaceutical ingredients is be cut from 16 to 10. The job cuts will be evenly spread between the Americas, Asia and Europe.

Mr Jürgen Dormann, chairman of Hoechst, said the $7.1bn takeover of Marion Merrell Dow earlier was "an important strategic step on the way to the top in the world pharma industry". The group aims to forge an integrated organisation from MMD, Hoechst'a traditional pharma operations and Roussel Uclaf, Hoechst's Frencb pbarmaceutical subsidiary.

Hoechst put the costs of creating the new structure at $800m, but said these should be oeutralised by next year by cost savings.

There will be a 1,200 reduction in research and development staff, a result of the cancantration of research and developmant at four aites. Frankfurt is to remain Hoechst's principal production and R&D location. The other R&D operations will be Romainville in France, Somerville in New Jersey, and Kawagoe in Japan. R&D facilities in Cincinnati (Ohio), Gerenzano (Italy), Strasbourg (France) and Swindon (UK) are to be phased out.

Hoechst also announced the set-up of a drug development centre in Somerville, which is to co-ordinate strategic planning including drug development, approval procedures and marketing.

The establishment of a co-ordinating mechanism was seen as necessary, because it had "taken us too long in the past to get our drugs to the market", according to ona source at Hoechst.

Mr Karl-Gerhard Seifert, head of Hoechst's pharma division, said the combination of Hoechst, MMD and Roussel would lead to "high synergy and cost saving potential, higher revenues and a good growth potential in the future".

Jürgen Dormann: 'an important strategic step' Associated Press

Endesa makes two more S American investments

By Tom Burns in Madrid

Endesa, Spain's largest electricity utility, has reasserted its expansive strategy in Latin America with investments totalling Pta35bn ($286.5m) in Argentina and in Peru.

The company, 65 per cent government-owned and listed on the Madrid stock market, said it had paid the Argentine government Pta20bn for an additional 19.5 per cent stake in Edenor, the company which distributes 55 per cent of electricity in greater Boenos Aires.

The acquisition gives the Spanish group majority control of Edenor. It acquired 33.3 per cent of the company in 1992 as part of a consortium, which included Electricité de France, that jointly owns 51 per cent of Edenor's equity.

In Peru, Endesa has acquired 60 per cent of Etevensa – which owns a 200MW gas-fired plant near Lima – through the bolding company Genaralima, in which Endesa owns 72 per cent. Etevensa, in which the Peruvian government retains a 40 per cent stake, is scheduled to expand the plant's capacity to 500MW over the next two years.

Endesa's distribution subsidiary in Peru, Distrilima, was meanwhile awarded a new distribution area that added 50,000 new clients to the existing 650,000 on Distrilima's books. The Peruvian investment represents an outlay of Pta15bn.

Earlier this year Endesa had signalled its continuing Latin American appetite with the decision to buy a 5 per cent stake in Gas Natural BAN, an Argentine gas distribntion business serving the northern part of Buenos Aires.

The stake was purchased from Banco Central Hispano, the big Spanish retail bank, as part of a wide-ranging alliance that involves joint business projects between Endesa and BCH.

Endesa's partnership with BCH aims to diversify the utility's interests with investments in the Spanish cabla television and mobile telephone sectors. Its dominant position in the domestic electricity industry was consolidated last year after a series of asset swaps agreed last year with Iberdrola, its private sector rival.

This week the agreement was completed when Enher, Endesa's subsidiary in Catalonia, north-east Spain, paid Pta21.7bn to Iberdrola for the outstanding 38 per cent that it did not own in Hidrufia, a second generator in the area.

However, Endesa has also singled out the Latin American market as a priority investment area for part of the treasure chest that has been built up by its sustained profitability. After nine months this year, Endesa net profits were up 12.8 per cent over the same period in 1994 to Pta108.1bn.

Huhtamaki warns of sharp fall in profits

By Hugh Carnegy in Stockholm

Problems in the collectible sports cards market in the US were felt in Finland yesterday when Huhtamaki, the Helsinki-based gronp with interests ranging from confectionery to contraceptives, warned of a sharp fall in profits this year.

Huhtamaki said 1995 earnings would be "clearly" below last year's FM442m ($102m) because an expected turnround at Dunross, which sells picture cards of baseball, football and ice hockey stars, did not materialise in the final months of the year. Dunross sales were down 51 per cent after eight months, when Huhtamaki profits fell 35 per cent to FM201m.

The gronp'a most-traded shares fell FM10.00 to FM109.00 on the news.

It is the second year running that Huhtamaki results have been dragged down by its exposure to the collectible cards market, which was hit in the past 18 months by strikes in the US professional baseball and ice hockey leagues. Like its equally tronbled fellow Finnish gronp Amer, which oparatea Wilson Sporting Goods, Huhtamaki has struggled to manage highly consumer-oriented businesses in the US.

Huhtamaki entered the collectible cards market through its ownership of the US-based company Leaf, one of the world's leading non-chocolate confectionery producers. The cards were originally free gifts with chewing gum, a top Leaf prodnct, bnt have since become a stand-alone business.

Mr Timo Peltola, chief executive, made clear Huhtamaki wanted to get out of cards. But plans to spin off Dunross through a stock market listing have so far been thwarted by the depressed cards market.

Ha still expected a recovery in 1996, bnt admitted tha launch of naw "interactive" cards, which combine collectability with games that can be played between collectors, had been fumbled, missing the Christmas high season.

All of these securities having been sold, this announcement appears as a matter of record only.

December 5, 1995

US$3,945,909,720

Eni

[illegible] 1,200,000,000 Shares

([illegible] Value Lit. 1,000 per Share)

[illegible] Global Coordinators

Istituto Mobiliare Italiano — CS First Boston

These [illegible] offered in Italy, the United States and internationally.

Italian Public Offering

450,000,000 Shares

Istituto Mobiliare Italiano

Banca Commerciale [illegible] · Banca di Roma SpA · Banca Monte dei Paschi di Siena SpA

BANCA NAZIONALE [illegible] · CARIPLO S.p.A. · CREDITO ITALIANO · Istituto Bancario San Paolo di Torino

Italian Institutional Offering

225,000,000 Shares

Istituto Mobiliare Italiano

Banca Commerciale [illegible] · Banca di Roma SpA · Banca Monte dei Paschi di Siena SpA

BANCA NAZIONALE [illegible] · CARIPLO S.p.A. · CREDITO ITALIANO · Istituto Bancario San Paolo di Torino

[illegible] · C.I.MO. SIM SpA · CS First Boston

[illegible] · GIUBERGIA WARBURG SIM · RASFIN SIM S.p.A.

United States Offering

20,000,000 American Depositary Shares
representing 200,000,000 Shares

Goldman, Sachs & Co.

Lehman Brot[illegible] · [illegible] · J.P. Morgan Securities Inc. · RBC Dominion Securities Corporation · Smith Barney Inc.

Bear, Stea[illegible] · [illegible] · Alex. Brown & Sons Incorporated · Dean Witter Reynolds Inc.

Deutsche Morgan [illegible] · [illegible] · Donaldson, Lufkin & Jenrette Securities Corporation · A.G. Edwards & Sons, Inc.

Howard, Weil, Labouisse, Fried[illegible] Incorporated · [illegible] Associates, Inc. · Morgan Stanley & Co. Incorporated · Oppenheimer & Co., Inc.

PaineWebber Incorporated · Prudential Securities Incorporated · Schroder Wertheim & Co. · Petrie Parkman & Co. · Rauscher Pierce Refsnes, Inc.

Arnhold and S. Bleichroeder, Inc. · Robert W. Baird & Co. Incorporated · EVEREN Securities, Inc. · Fahnestock & Co. Inc.

Fox-Pitt, Kelton Inc. · Janney Montgomery Scott Inc. · McDonald & Company Securities, Inc. · Rodman & Renshaw, Inc. · Southeast Research Partners, Inc.

United Kingdom and the Republic of Ireland

170,000,000 Shares

SBC Warburg
A DIVISION OF SWISS BANK CORPORATION

Morgan Stanley & Co.
International

CS First Boston · Istituto Mobiliare Italiano · N M Rothschild/Merrill Lynch International Limited · Schroders

Cazenove & Co. · Dresdner Bank-Kleinwort Benson · Istituto Bancario San Paolo di Torino · NatWest Securities Limited

Continental Europe

100,000,000 Shares

Paribas Capital Markets

ABN AMRO Hoare Govett · CS First Boston · Deutsche Morgan Grenfell

Dresdner Bank-Kleinwort Benson · Istituto Mobiliare Italiano · N M Rothschild/Merrill Lynch International Limited

BNP Capital Markets · Creditanstalt-Bankverein · Lazard Frères et Cie · Santander Investment · Société Générale

Rest of the World

55,000,000 Shares

Nomura International

CS First Boston · Robert Fleming & Co. Limited · Indosuez Capital

Daiwa Europe Limited · HSBC Investment Banking · Istituto Mobiliare Italiano · Nikko Europe Plc

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Fruit of the Loom sees loss for year

Fruit of the Loom, the US clothing manufacturer, is to make a loss for the year as a result of net charges totalling between $240m and $260m in the fourth quarter. The company had already announced plans to shut four factories in the US with the loss of 3,200 jobs. It said the previously announced measures accounted for $115m of the charges, and it would also take a goodwill write-off of $135m. The cash outflow would total about $30m.

Fruit of the Loom's difficulties, which also caused write-offs last year, are typical of the US garment industry. Garment manufacture is highly labour-intensive and faces fierce competition from low-cost Asian producers. Mr William Farley, chairman, said he expected the measures to save between $40m and $50m a year after tax. The company would step up its advertising and marketing expenditure, cut working capital and reduce its capital spending by $75m. Mr Farley said the company would improve its results substantially in 1996 and beyond, with higher operating profits and positive cash flow.

The company's shares, which had been hit by previous profit warnings, rose $2 to $22⅛ in early New York trading.

Tony Jackson, New York

Suncor to boost investment

Suncor, the smaller of Canada's two oilsands producers, will invest almost C$500m (US$363m) in 1996, up 20 per cent from 1995. The company targets a gradual rise in synthetic oil output from the present 72,000 b/d to 100,000 b/d by 2000. Most of the capital spending will go towards raising synthetic oil output, planning a new mine site and for cooventional oil and gas developmeot. Downstream operations will receive about C$55m. Sun Oil of the US sold its 55 per cent interest in Suncor to the public last May.

Robert Gibbens, Montreal

CDT buys Nortel division

Canada's Northern Telecom and Cable Design Technologies Corporation of the US said they had signed an agreement under which CDT would purchase Nortel's communications cable and IBDN structured network wiring business for about US$90m. CDT will offer jobs to all employees affected by the transaction. This amounts to more than 800 people, located in the Laurentien and Lachine facilities in suburban Montreal, in the Kingston, Ontario, facility, as well as cable/IBDN sales and operations staff in North America and overseas.

CDT said it planned to operate its business ont of the Kingston and Montreal facilities. It will acquire the Kingston operation and lease from Nortel about 30 per cent of its Laurentien and Lachine facilities. Like other CDT businesses, the Canadian operations will function as an autonomous subsidiary of CDT.

AFX News, London

Brazil to privatise utility

Brazil will sell the Rio de Janeiro state utility Light for a minimum price of $3bn, Ms Elena Landau, head of Brazil's privatisation programme at the Brazilian National Development Bank, said. She said the auction would be held on March 13.

Reuter, Brasilia

■ Yesterday's story on Whirlpool quoted the company as saying industry shipments in Germany and France had fallen by around a third in recent months. The company now says it gave these figures out in error. It estimates that industry shipments in Germany were down between 5 per cent and 6 per cent in September and October. In France, they were up 2 per cent in September and down 4 per cent in October.

European cash chases Sherritt Cuba offer

By Bernard Simon in Toronto

European investors have been among the most enthusiastic participants in an unusual financing arranged by Sherritt, the Toronto-based fertiliser, metals and energy group, to set up a vehicle for investing in Cuba.

Sherritt said yesterday it had raised C$341m (US$247m) through a rights offering of certificates exchangeable for shares in Sherritt International, a new company which is one of the biggest and most prominent foreign investors in Cuba. Sherritt's interests include a 50 per cent stake in a joint Cuban-Canadian nickel venture, as well as oil and gas properties and hotel investments in Cuba.

The issue was fully subscribed. However, about 40 per cent of the rigbts cbanged hands, suggesting that a sizeable number of existing Sherritt sharebolders sold their rights. The rights were initially traded on the Toronto stock exchange in late November at C$2.50 but dropped as low as C$1.05.

"There was a lot of switching from old sbareholders to new sbareholders," Gordon Capital, the lead underwriter, said. Many of the new bolders were European institutions.

The exchange certificates, priced at C$5 each, were listed on the Toronto stock exchange yesterday. They were trading at C$6.25 at mid-morning.

The certificates are due to be converted into Sherritt International restricted voting shares in May or June 1996. Mr Ian Delaney, Sherritt's chairman, will control Sherritt International through multiple voting shares for at least the next 10 years.

Sherritt International acknowledged that an investment in the company involved "a high degree of risk". Some investors were especially concerned abont the impact on Sherritt of US sanctions against Cuba. According to a recent prospectns, the embargo limits the company's access "to US capital, US finance, US customers and US suppliers".

Upbeat USAir sparks rally in airline stocks

By Richard Tomkins in New York

Airline stocks rose sharply on Wall Street yesterday after USAir, the US airline in which British Airways holds a minority stake, said this year's profits were likely to be higher than analysts had forecast.

Mr Seth Schofield, chairman and chief executive, told a meeting of airline industry analysts in New York on Tuesday that last month had been the strongest November in the company's history.

"Yields were better than our earlier forecast, and our costs continue to be a pleasant surprise," Mr Schofield said. Traffic and load factors remained strong, he added, and operational parformance and employee morale were good.

USAir's shares jumped $1⅛ to $13⅜ in late trading on Tuesday, and rose another $⅜ to $13¾ in early trading yesterday, making a rise of almost 13 per cent over the two days.

Othar airline stocks rose after Mr Schofield's comments encouraged hopes that the fourth quarter would be a repeat of the third, when nearly every US airline delivered results exceeding analysts' expectations.

Shares in UAL, parent company of United Airlines, were up $4⅛ at $200⅞ in early trading, and shares in Delta Air Lines climbed $2⅛ to $78.

Like other US airlines, USAir has been benefiting from a recovery in the US air travel market, driven by growth in the US economy. Passenger numbers are up, leading to a decrease in the number of fare wars, and profits have been further boosted by the airlines' efforts to reduce costs.

USAir, recently the subject of a takeover approach by UAL, is widely regarded as one of the least successful airlines in the US, having failed to make a profit since 1988. However, the buoyant state of the US airline industry allowed it to swing into profit in this year's third quarter, and the airline predicted it would make a profit for the full year.

Mr Schofield said USAir's bookings and yields should remain favourable at least through the first quarter of next year. He added that the company's "rightsizing" programme of eliminating unprofitable flights was producing better than expected results.

Business takes off at Brazil's regional carriers

Deregulation and an improvement in the domestic economy have helped fuel growth, says **Jonathan Wheatley**

Brazil's domestic airlines have seen three years of steady growth. Since deregulation in 1992, the number of regional operators has increased from five to 13 and their share of domestic air traval has jumped from 5 per cent to 20 per cent.

"There's a terrific direct link between air travel and the state of the economy," says Mr Bob Booth, of Aviation Management Services, a Miami-based consultancy. "Brazil has been asleep for years, now all of a sudden it's waking up and the economy is perking along nicely.

"It's a big country and business air travel is less a luxury than a necessity. Every time a new service opens up people jump oo it."

The industry leader is TAM, a former air-taxi service built up by its founder and controlling shareholder, Mr Rolim Amaro. In second place is Rio-Sul, the regional subsidiary of Varig, Brazil's biggest international airline. In 1990, between them they flew 416m revenne passenger kilometres, the standard industry measure of passengers carried multiplied by distance flown. This year, Rio-Sul alone will fly an estimated 1.1bo passenger kilometres.

The airlines are confident that growth will continue. TAM, which targets business travellers, recently placed an order for 18 108-seater Fokker F100 airliners to add to its fleet of 19 F100s, three F50s and seven F27s.

New entrants continne to join the market. Transbrasil, the country's third international airline after Varig and Vasp, recently formed a subsidiary, Interbrasil Star, to operate regional services.

Tha industry's fortunes began to improve in 1992, when the country's last severe recession bottomed out and the civil aviation departmeot (DAC) made sweeping changes to industry regulations. Until then, regional airlines, as the name suggests, were restricted to their own part of the country. In 1992, the DAC allowed them to operate nationally.

The operators face one condition: they are not allowed to fly directly between state capitals without an intermediary stop. The DAC says this is to give smaller cities a link with the state capitals; the airlines say it is to prevent them competing directly with the big three national carriers.

However, the restriction does not apply to the most popular flights, between São Paulo, Rio de Janeiro, Brasília and Belo Horizonte, where regional carriers enjoy the distinct advantage of operating from small, inner-city airports. For point-to-point travellers, these are far more convenient than the out-of-town international airports generally used by the other carriers. In addition, regional airlines are abla to charge a premium.

Not all regional carriers, however, can operate these routes because the DAC grants them only to carriers with at least a 15 per cent share of the regional market. Currently, that means TAM, Rio-Sul and third-placed Taba.

While Mr Rolim of TAM insists the requirement to land between other state capitals puts his airline at a disadvantage, Mr Booth disagrees. "The single most important decision-making factor for the business traveller is scheduling," he says. "Business travellers will pay more and accept a landing en route if the schedule is right. They want to arrive in time to do business and to be able to get home at the end of the day. That'a what makes the decision."

The leading companies have reaped the benefits of supplying this demand. TAM in particular concentrates on early morning and evening flights between business centres and, even with an intermediary landing, has been able to keep its prices high.

So far, the regional companies have avoided a reoccurrence of the price war that hurt national carriers in 1991 and 1992. Rio-Sul, however, offers 25 per cent discounts on a oumber of routes, and Mr Booth believes airlines will face greater price competition once demand settles down.

"Tha real issua at present is that demand is growing faster than supply," he says. "For the time being, the regional airlines have their own niches, and there's very little overlap of rootes. Once there's more overlap, price will become more important."

As competitioo intensifies, however, Mr Booth believes Brazil's regional carriers will be able to hold up fares by using sophisticated yield management techniques commonly used in other markets.

Mr Rolim rejects the idea of price competition. "We compete on quality of service, not price," he says. "We listen to what our passengers want and we give it to them. But we don't give discounts."

Quality of service has undoubtedly allowed the leading regional airlines to build np considerable customer loyalty.

Airlines such as TAM and Rio-Sul have also benefited from a carefully-chosen combination of aircraft. Against TAM'a Fokker F100s, F50s and F27s, Rio-Sul offers Boeing 737-500s, Fokker F50s and Embraer Brasilias. Both fleets offer high standards of service and comfort and combine aircraft seating 108, 50 and 30 passengers.

Mr Roberto Pinto, president of Rio-Sul, says this mix of aircraft size allows his company to build up rontes using smaller aircraft before switching to larger capacity as demand dictates.

It is partly this flexibility that allows the small regional operators to outshine the structure-heavy international lines. Rio-Sul and Interbrasil Star, as snbsidiaries of Varig and Transbrasil, illustrate the point. Both are run as separate operating entities from their parent companies, but draw several benefits from the relationship. The larger airlines provide offices, catering and other services, such as maintenance and reservations. They can also provide better access to credit and a stronger bargaining position in aircraft purchasing.

However, the parent companies probably do better out of the deal, and what Varig and Transbrasil really hope to gain through their regional subsidiaries is a highly effective profit centre.

THE ROUTE TO SUCCESS (US$m)

		TAM	Rio-Sul
1990	Turnover	52.59	40.0
	Net profit	0.64	4.0
1991	Turnover	43.90	50.0
	Net profit	-0.15	7.0
1992	Turnover	89.79	68.0
	Net profit	1.02	7.0
1993	Turnover	121.80	100.0
	Net profit	4.52	10.7
1994	Turnover	291.70	160.0
	Net profit	29.38	24.0
1995	Turnover†	281.76	175.0
	Net profit†	38.99	19.0

† January - September. Source: companies

Revenue passenger kilometres ('000)

	TAM	Rio-Sul
1990	204,505	211,383
1991	305,220	204,135
1992	290,735	179,635
1993	561,680	415,253
1994	878,418	673,723
1995	n/a	1,100,000*

*company estimate. Source: Civil aviation dept (DAC) and companies

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.12.95 Pool purchase price £/MWh	Final Prices for Trading on 20.11.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.01	9.07	9.07
0100	26.00	12.30	13.26
0130	37.75	12.30	13.26
0200	37.75	12.30	13.26
0230	26.01	12.27	13.23
0300	20.01	8.95	9.91
0330	20.01	8.95	9.91
0400	20.01	8.95	9.91
0430	20.00	8.95	9.91
0500	26.00	9.04	9.04
0530	28.00	8.95	9.91
0600	26.01	9.07	9.07
0630	26.01	9.07	9.07
0700	26.01	20.18	21.14
0730	29.56	31.57	32.56
0800	29.80	37.83	38.88
0830	29.84	38.00	38.10
0900	33.56	38.34	38.63
0930	39.43	48.33	49.59
1000	47.65	48.46	48.75
1030	40.55	48.30	49.55
1100	34.76	48.69	47.88
1130	34.66	38.28	39.45
1200	34.58	39.97	41.15
1230	34.50	39.86	41.01
1300	33.36	39.06	40.77
1330	29.65	37.79	38.81
1400	29.83	32.35	33.36
1430	29.82	32.36	33.38
1500	29.84	32.43	33.47
1530	29.98	36.75	37.93
1600	34.65	44.28	47.19
1630	77.72	90.59	105.24
1700	122.94	173.56	202.40
1730	161.78	207.79	235.28
1800	139.92	173.42	196.91
1830	82.08	90.46	101.33
1900	55.05	60.12	64.34
1930	41.30	44.96	47.05
2000	38.05	38.84	40.05
2030	29.90	38.09	39.10
2100	29.61	32.22	33.19
2130	29.57	31.93	32.88
2200	29.41	31.44	32.39
2230	29.41	20.17	21.13
2300	20.00	19.73	20.69
2330	11.98	8.95	9.91
2400	11.98	9.04	9.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined [illegible]

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COMPANY NEWS: UK

DIGEST

Rodime in talks with its bankers

Rodime, the disc drive pioneer whose main assets are patents on 3½ inch disc drive technology, is discussing with its bankers a capital reconstruction to reduce its heavy indebtedness.

The company suffered a severe setback in September when the US court of appeals upheld a judgment against it in an action brought by Quantum, the US disc drive company. The judgment also reduced the scope of a suit against Seagate, another disc drive maker, for which no trial date has been set.

Announcing a lower pre-tax loss for the year to September 30 of $4.1m ($7m), Rodime warned yesterday it might be unsuccessful in litigation against all remaining unlicensed 3½ inch disc drive manufacturers, which would eliminate all income from that source.

Rodime said its business was funded by increasing bank debt, which amounted to $33.9m at September 30. Any proceeds from litigation, net of costs and taxes, would have to exceed total prior charges of $47.2m before shareholders could benefit.

The company said that although it still had the support of its bankers, its funding structure was no longer in shareholders' interests. It plans a reconstruction of the share capital and indebtedness in the new year.

James Buxton

Ashanti joint venture

Ashanti Goldfields of Ghana, listed in London and Accra, is forming a joint venture with Pangea Goldfields, a Toronto-quoted company, for the exploration and exploitation of Pangea's Bulyanhulu South and Rubondo concessions in Tanzania.

By spending $4m (£2.5m) and $3m on the Bulyanhulu and Rubondo areas respectively, Ashanti can earn a 51 per cent interest in each. This may be increased to 60 per cent of Bulyanhuln and 75 per cent in Rubondo on completion of a bankable feasibility study within five years. Ashanti will also be responsible for securing project finance for any future mining operation.

Kenneth Gooding

Hongkong Bank of Canada

Hongkong Bank of Canada, the HSBC Group subsidiary, reported pre-tax income of C$171.7m for the year to October 31, a 26 per cent increase on the comparable C$136.8m. Net interest income was C$444.7m (C$386.5m) with a further C$102.6m (C$90.9m) from other income. Net income per common share came out at 36 cents (31 cents).

Total assets during the year improved from C$16bn to C$19.6m.

Caverdale stake

Caverdale Group, the motor retailer, is issuing 12m new ordinary shares to Murmoom Investments, which is controlled by the Al-Rostamani brothers, at 14p each to raise £1.68m ($2.65m). The brothers previously held 12m shares and this latest investment takes the number held to 24m, or 9.5 per cent.

Mr Abdullah Hassan Al-Rostamani is to join Caverdale's board as a non-executive director. The Al-Rostamani Group is based in the United Arab Emirates, where its interests include the distribution of motor vehicles and automotive spare parts.

Caverdale's shares fell ½p to 11½p yesterday.

Consortium led by Hospitality Franchise Systems pays $175m

Forte sells Travelodge in US

By Scheherazade Daneshkhu Leisure Industries Correspondent

Forte, the hotels company which is fighting a £3.2bn hostile bid from Granada, the TV and leisure company, yesterday said it had sold its US Travelodge chain of hotels for $175m.

The buyer is a consortium led by Hospitality Franchise Systems Incorporated, the US hotel franchising company, which trades under hotel brands such as Days Inn, Ramada, Super 8 and Howard Johnson. HFS will have the rights to operate the Travelodge brand name in the US, Canada and Mexico while Forte will retain the rights to the name in the UK, continental Europe and most other regions of the world.

The sale was made by competitive auction and handled by Morgan Stanley, the US bank.

It followed disappointment over the sale of the White Hart assortment of hotels which Forte had hoped to have concluded by Christmas. The deal stalled earlier this week after Apax, the venture capitalist pulled out, apparently after differences over price. Apax was providing financial backing for Oriel Leisure, a private company. Oriel Leisure said yesterday it was still talking to Forte and hoped to meet the company after Christmas.

Forte said in September that it wanted to sell the 484 network of Travelodge hotels, which comprises 347 franchises, 39 wholly-owned properties and 98 joint ventures. The book value is $148m after minority interests of $34m. Forte, which is assuming some debts, expects to receive a net $167m.

Mr Keith Hamill, finance director at Forte called the price achieved "satisfactory". He said the management had been working hard for some time to improve the performance of US Travelodge which he described as "one of our more difficult businesses".

Forte inherited the US Travelodge business, which was established in the 1940s and is

Ashley Ashwood

Sir Rocco Forte: sale follows disappointment over White Hart

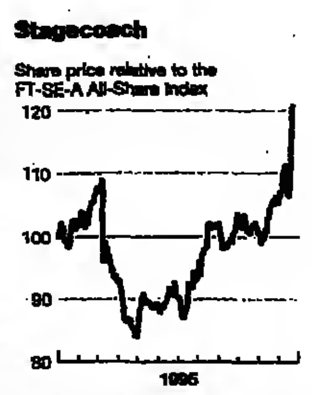
one of the oldest US hotel brands, from Trust Houses, the hotels company with which it merged in 1970. Mr Hamill said it was then a tired brand which either needed substantial investment or to be sold. Forte had not put it on the market earlier because profits had been too low.

However, cash flow has improved and pre-tax profits before minorities were $14m in the year to January 31 1995. Forte said the transaction represented 26 times prior year earnings. "The business is now at a stage where it can be developed effectively by the new owners, who specialise in this sector in the US," said Mr Hamill.

LEX COMMENT

Rail privatisation

Rail privatisation, it seems, really will mean lower subsidies. That, at any rate, is the message to be drawn from the three franchises let so far. In real terms, the government's annual contribution over the franchises' seven-year life will average about 15 per cent below this year's figure. But ministers are still likely to be criticised for selling them off too cheaply – because investors stand to make embarrassingly large profits. Take, for instance, Stagecoach's acquisition of South West Trains.



On the face of it, this is the least lucrative deal of the three, because subsidy will actually fall in the first year. But the bulk of SWT's costs – infrastructure and rolling stock charges – are pegged below the rate of inflation. Even if SWT merely manages to hold variable costs flat and revenue grows only in line with inflation, it should be comfortably into profit by 1998.

More aggressive cost-cutting – say 5 per cent a year – would deliver pre-tax profits of £30m-£40m a year by 1999. With minimal capital investment up-front, this would be quite a return for Stagecoach shareholders.

On the other hand, profits of this order – on the back of guaranteed subsidies of £49m a year – are bound to be at risk of political intervention.

True, ministers cannot vary the franchisees' contracts. But they could, for instance, accelerate the opening of the network to competition. That way, passengers would benefit – and investors' profits would be hit. Politically, that could well be convenient.

Improving demand for art seen in Sotheby's turnover

By Antony Thorncroft

The improvement in demand for works of art in the past year was dramatically revealed in 1995 turnover figures for Sotheby's, the worlds' largest fine art auctioneers, released yesterday. Sales totalled $1.66bn a gain of 25 per cent in dollar terms, 21 per cent in sterling, over 1994.

Its arch rival Christie's will announce its sales figures today; they are expected to show a reasonable increase.

"Sotheby's has had its strongest year since 1990 and its fourth highest annual auction sales total ever," said Diana D Brooks, president and chief executive.

"Geographically auction sales for 1995 increased by 28 per cent in Europe and 24 per cent in North America." The fourth quarter was particularly strong, with sales of $704.9m, up 32 per cent.

The improvement owes much to the recovery in confidence in the two key market sectors, Impressionist and Modern art and Jewellery. Sales of post-1870 art were up by $176m to $363m, and jewels showed a gain of 39 per cent, to a record $254m.

The highest price paid in the auction room in 1995 was the $29.2m which secured for Sir Andrew Lloyd Webber at Sotheby's in May a portrait by Picasso of a drinking companion. In November, a painting by Van Gogh of a forest glade sold for $27m.

However, the November auctions in New York suggested demand for major post-1870 art remained selective. An important group of paintings by Picasso carried high reserves and were largely unsold.

The main autumn jewellery auction in Geneva in November brought in $53.5m, the second highest total ever for a various-owners jewel sale. A pink diamond of 7.37 carats made $6.1m, a record price for a pink diamond.

London-based Phillips, the world's number three auction house, yesterday reported a 7 per cent gain in sales to £97.6m, while Bonhams continued its recent improvement by boosting turnover by more than 15 per cent to £40.1m.

Danish oil find for Enterprise

Enterprise Oil, one of the larger UK explorers, yesterday received a boost when its partner, Statoil of Norway, reported a promising North Sea discovery in Danish waters, writes Robert Corzine.

Enterprise said the discovery on an exploration block in which it has a 20 per cent interest could be the largest Danish find since 1977.

Enterprise and Statoil, the state oil company which has a 50 per cent stake in the discovery, have a total of four blocks in the area, 260km north-west of Esbjerg, close to the Danish/Norwegian border.

The company said the new field has similar geological features to its Nelson field in the UK sector of the North Sea.

Persona rights for Top Log purchase

By James Harding

In a deal expected to double sales and profits next year, Persona, the PC networking products group, is to pay £19.9m ($31m) for a European distributor.

The acquisition of Financière Top Log, the Paris-based distributor of network and communications products, will be funded by a 17-for-20 rights issue at 225p, raising £23.1m. Persona shares yesterday closed at 285p.

Top Log had pre-tax profits of £2.3m on sales of £63.5m in the year to September. It distributes through five French offices and operations in the UK, Spain, Germany and Belgium.

Persona predicted that profits in the year to December would exceed £2.7m, a 23 per cent increase on last year's £2.06m. The acquisition is expected to be earnings enhancing from the outset.

Mr Serge van Gorkum, Top Log's chairman, who will own 4.4 per cent of Persona's enlarged share capital on completion of of the acquisition.

He said: "We are very pleased to do this deal with Persona, because we are indirectly listing in London."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Artesian Estates	6 mths to Oct 3	0.608	(1.22)	0.01	(0.241)	0.1	(4.5)	0.75	Jan 31	-	-	1.5
Jennings Bros Φ	Yr to Sept 30	15.3	(11.3)	1.25	(0.901)	14.3	(11.5)	3.85	Feb 19	3.275	6.35	5.775
Lance Enterprises Φ	Yr to Oct 31	19.7	(15.1)	2.68	(3.23)	10.9	(12.5)	2.5	May 7	2.5	4	3.85
Loades	Yr to Sept 30	17	(13.8)	0.375	(0.342)	1.75	(4.2)	1	Mar 15	-	-	-
Optometrics ☆	6 mths to Sep 30	1.96	(1.72)	0.113L	(0.04)	1L	(0.3)	nil	-	nil	-	nil
Rodime ☆	Yr to Sept 30	-	(-)	4.12L	(7.02L)	3.14L	(5.04L)	nil	-	nil	nil	nil
Western Selection	Yr to Sept 30	-	(-)	0.832L♠	(0.042)	5.71L	(0.28)	nil	-	0.25	nil	0.25
Zargo Φ	8 mths to Oct 31	4	(2.98)	0.479L	(0.048)	-	(-)	nil	-	-	-	-
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Abtrust Pref Inc	6 mths to Nov 30	86.38	(91.28)	1.72	(1.58)	9.08	(8.33)	3.25‡	Jan 31	3	-	15
Electric & General	6 mths to Nov 30	243.2	(209.1)	1.66	(1.68)	1.83	(1.86)	1.7	Feb 2	1.6	-	3.35
L&G Recovery	13 mths to Oct 31	115.6	(95.5)	6.54	(-)	17.77	(-)	2.2	Feb 28	-	2.2	-
M&G Second Dual	6 mths to Nov 30	702.59	(601.32)	1.56	(1.43)	15.62	(14.27)	15.8	Feb 7	14.3	-	25.5
Murray Split Cap	3 mths to Nov 30	219	(213.5♦)	0.23	(0.17)	2.88	(2.13)	2.75	Apr 3	2.85	-	10.85
Schroder Split	9 mths to Oct 31	68.29	(62.65)	4.06	(3.7)	7.18	(6.53)	1.9‡‡	Dec 29	1.8	-	7.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ☆US currency. ‡Second interim; makes 6.5p to date. ♦At August 31. ‡‡Third interim already announced; makes 5.7p to date.

New chief steps up at motor division

By John Griffiths

Inchcape, the international services and motors distribution group, is installing a new chief executive at its under-performing Inchcape Motors International, which includes all the motor activities except Toyota distribution and sales.

Mr Peter Johnson, 48, an 18-year veteran of the Rover Group who joined Inchcape only in March, will step up from running the UK and European motor retailing activities on January 1.

He has spent periods as chief executive of Applied Chemicals and later of Marshall Motor Group between leaving Rover and joining Inchcape.

He replaces Mr Maurice Rourke, who has been running the division for the past two years and who was part of the Tozer, Kemsley and Millbourn motor distributor bought for £376m ($594m) four years ago.

Mr Rourke, 47, is claimed by Inchcape insiders to have done a good job of building Inchcape's extensive motors portfolio, but to have been less at ease with consolidating the division's operations in the face of a number of depressed markets around the world.

The division has grown into a labyrinthine global network, comprising 109 import and distribution franchises representing 49 manufacturers in 36 countries.

Inchcape returns to flotation plan for Bain Hogg

By Ralph Atkins and Tim Burt

Inchcape, the international marketing and services group, yesterday spurned a number of potential bidders for its Bain Hogg insurance broking arm after failing to achieve what it regarded as a worthwhile price.

The group has instead reverted to a plan to float the company within the next few years. A partial flotation was first mooted last year, but yesterday the group said it might float a majority stake.

The announcement followed intense speculation that Bain Hogg would be sold to one of several bidders for more than £300m ($474m).

Those understood to have made approaches included US brokers Aon and Alexander & Alexander. A management buy out was also considered.

Inchcape, however, is believed to have looked for nearer £400m. It said Bain Hogg had good prospects and that it sought a bidder prepared to pay "tomorrow's price today".

Last year, Bain Hogg made a pre-tax profit of £21.4m on a turnover of £172.7m. With demand for brokers' services under pressure, consolidation is widely-expected among the medium size companies. But Inchcape's decision will confirm that potential bidders are reluctant to spend large amounts.

Analysts said Inchcape's failure to secure a trade sale for more than £300m raised questions about the wisdom of its decision last year to pay £175.6m for Hogg Group, the broking business subsequently merged with its Bain Clarkson subsidiary.

"They paid a top of the cycle price for Hogg and they clearly wanted more than £350m to recoup their investment in the broking side," said one.

Inchcape, which said it would consider further approaches although it was not actively seeking offers, confirmed that the focus was on "the path to flotation". The timing will depend on stockmarket conditions. With insurance brokers' ratings relatively depressed Inchcape may wait until late 1997 or 1998.

COMMODITIES AND AGRICULTURE

Equatorial joins Luksic in $200m Chile copper deal

By Kenneth Gooding, Mining Correspondent

Chile, which already produces more than 25 per cent of the western world's copper, is to have another big mining project. Equatorial Mining, an Australian company, and the Luksic group, one of Chile's biggest industrial organisations, will jointly develop their neighbouring copper deposits in the El Tesoro area, 150 kilometres from Antofagasta.

Equatorial said yesterday that the project would cost about US$200m and mining should begin in 1997. The joint venture would be capable of producing an average of 60,000 tonnes of copper for a minimum of 15 years.

That rate of output might be substantially higher in the early years.

The company estimated that the cash operating cost of producing copper would be only 40 cents a pound ($881.60 a tonne), among the lowest in the industry, and that, if the copper price remained at about $1 a pound ($2,204 a tonne) capital costs would be paid back in three years.

Mr Stephen Gerlach, Equatorial's chairman, said that, if his company had developed its Leonor deposit alone, the cost per pound would have been about 46 cents ($1,014 a tonne).

Also, by linking with the Luksic group, about 500,000 tonnes more copper would be recoverable from the joint properties.

Development will be undertaken by Minera El Tesoro, a company in which Luksic will own 61 per cent and Equatorial 39 per cent.

It will include Luksic's Sorpresa deposit, as well as Leonor, to be mined in the early years, and the Santa Carmen property.

The deposits lie on the same geographical fault line as the world's two biggest copper mines, Chuquicamata and Escondida, and are midway between them.

Nearly every mining company operating in Chile has staked some land in the area because the Leonor-Sorpresa copper is "exotic" – washed there from what must be a huge, high-grade deposit elsewhere, but probably close by.

The big drawback is that the exotic copper is very difficult to release from the ore.

The Luksic group, founded by Mr Andronico Luksic, is heavily involved in Chile's copper business through its London-quoted Antofagasta Holdings, which produced about 77,000 tonnes of copper in that country last year. The Sorpresa project is held separately from Antofagasta.

Equatorial said it would have no difficulty meeting its share of the costs.

At present it has A$37m in cash and the backing of its biggest shareholder, AMP Society, which is Australia's biggest life insurance group and maintains a 28 per cent holding in Equatorial.

CBOT to triple trading hours for grain and soyabean futures

By Laurie Morse in Chicago

The Chicago Board of Trade plans almost to triple the trading hours for its busy grain and soyabean futures, by listing the agricultural contracts for overnight computer trading beginning February 29.

The six-month experiment was approved by CBOT members this year, and is aimed at meeting growing competition from the Asian time zone. The CBOT grain futures are currently open only three hours and 45 minutes each day, during Chicago business hours.

Once listed on the CBOT computer trading system, Project A, they will reopen at 10:30pm Chicago time, and continue through 4:30am.

The overnight hours are tailored to compete with the Tokyo Grain Exchange, whose maize futures contract has overtaken the CBOT's, in terms of volume, in just two years.

In addition to maize, CBOT futures on soyabeans, soyabean oil and meal, oats, rough rice and wheat will be traded overnight on Project A.

The Chicago exchange has offered its financial futures contracts overnight on the electronic system for several months, with average evening volume recently climbing over 5,000 contracts.

An exchange spokeswoman said options on agricultural futures would be added to the overnight computer session sometime after the February 29 launch for futures.

To date, she said 24 of the CBOT's 53 member firms that participate in the agricultural futures pits had signed up to participate in the Project A sessions.

Separately, the CBOT's board has approved a January 19 launch of five new futures contracts based on maize yields.

One of the new contracts will be based on the national yield and the other four on the individual states of Illinois, Indiana, Nebraska, and Ohio. The contracts are an expansion of the Iowa corn yield futures offered experimentally this year.

Fear of a fudge over Australian sugar

Nikki Tait reports from Queensland on the implications of a competition initiative

Up on Queensland's lush coastal plain, the sugar cane fields look serene. Harvesting and processing of this year's crop, slightly delayed by wet weather, is underway. Despite lower world prices and some reduction in production from 1994-95's record levels, the forecasts are for a A$1.8bn harvest – only slightly short of last time's bumper A$1.94bn.

But beneath the tranquility, uncertainty looms. A commission, reporting to the federal and Queensland governments, is debating whether Australia's sugar industry should be thrown open to competitive forces. For a sector traditionally among the most heavily protected in Australian agriculture, this is potentially traumatic.

The commission was anticipated when Queensland, source of 95 per cent of Australia's raw sugar production, introduced new sugar industry legislation in 1991 and promised to review this after five years. But it has been given extra impetus by Australia's embrace of a "national competition policy" – a federal initiative to which all the state governments signed up this year.

The competition initiative has particular implications in the rural sector. The dominance of statutory support schemes cost Australian consumers and users about A$550m in 1988-89, estimated one Industry Commission report. Benefits to these groups from reform of the milk, sugar and egg industries alone could total about A$346m a year.

In an effort to erase such inefficiencies, the authorities have declared that agricultural sector legislation should not be allowed to restrict competition unless it can be shown that benefits of the anti-competitive practices outweigh the costs.

For most of this century, Australia has placed either an embargo or a tariff on sugar imports. Domestic production has been constrained by a "land assignment" system, specifying the acreage from which growers can harvest cane and sell to a mill.

Meanwhile, a centralised Sugar Board has controlled the purchase and marketing of sugar, contracting domestic refineries to process raw sugar on a "toll" basis, then sold on the industry's behalf.

The agricultural legislation is not to restrict competition unless the benefits of anti-competitive practices outweigh the costs

In 1991, some liberalisation was introduced. The Sugar Board was replaced by the Queensland Sugar Corporation. This is still a statutory body which buys and markets the state's sugar production, but it is funded by the 7,000 cane growers out of these sales.

The QSC remained responsible for an assignment system, but was to ensure that cane-growing acreage in Queensland expanded by at least 2.5 per cent each year. (In 1994, it grew by 3.6 per cent, allowing the QSC to claim that, for the first time, land available exceeded demand.) The import embargo, meanwhile, was replaced by a tariff on raw sugar imports, initially set at A$115 a tonne but now less than half that.

These partial reforms fall well short of the commission's brief – which includes a review of the tariff and an assessment of the phased removal of sugar industry regulatory arrangements by 2000. Privately, many industry players say they are fairly relaxed about further easing of assignments or even a loss of the tariff. But it is the role which QSC plays as a "single desk" seller, for both the export and domestic markets, which most see as critical – and vulnerable.

"The industry is on notice that under the national competition policy single desks are deemed inappropriate," says Mr Michael Bosscher, deputy chief executive of the QSC.

The QSC argues that it helps to smooth the production chain and acts as an efficient – even necessary – salesman for Australian sugar overseas, given corruption in world markets. Because burnt cane has to be crushed fast, the relationship between growers and mills is extremely close. The QSC makes advance payments to the mill owners throughout the season, which in turn are shared on a formula basis with growers. Centralised management of bulk terminals and the like is justified on the grounds of more streamlined handling.

Expecting small farmers to start adapting to world market prices could also be a big task. "The average cane grower probably doesn't even know what the world price for sugar is," says Mr Bosscher.

Critics, however, say this ignorance is precisely the worry. Despite recent growth in the industry, there is no evidence that it is at an optimal size. Even with modified land assignment, there are lags between the desire of growers to expand with the market, and their ability to do so.

On the buying side, there is the distortion of the two different "pool" prices provided by the QSC. Nor is there any conclusive evidence that growers would be baffled by more entrepreneurial responsibility: parallels are drawn with cotton, where growers regularly utilise futures markets.

Although one of the largest raw sugar suppliers, Australia never developed refined sugar exports, mainly because of high regulation

There is also the question of whether Australia can, or should, move into the world market for refined sugar. Largely because of the industry's highly regulated history, Australia never developed refined sugar exports, although one of the largest international suppliers of raw sugar (accounting for about 15 per cent of its world trade in the early 1990s). Refineries, under the Sugar Board, were inevitably near domestic markets.

The more liberal regime has encouraged some initiatives. Last year, for example, Mackay Refined Sugars, a joint venture between Mackay Sugar Co-operative, a grower-owned organisation, and London-based ED&F Man, the commodities trading house, opened a A$95m refinery attached to the Racecourse Mill on the Capricorn Coast. This was to build an export-oriented refined sugar business on the back of a domestic operation.

MRS has not had an easy birth. The company claims that, even with modern bulk shipping, it is only feasible to develop an export-oriented refining business in tandem with a domestic presence. But a virulent price war has broken out locally, prompting legal action between MRS and CSR, the largest domestic refiner, and allegations of predatory pricing.

The cumbersome industry structure is much to blame. A Queensland mill must sell to QSC before the refinery can buy the sugar back at the import parity price. "Single desk selling belongs to a past era," says Athol Harley, MRS's chief executive.

Australia's wheat industry, meanwhile, has managed to retain a single desk system for export sales and the wool industry is still grappling with the centralised selldown of a large stockpile, built up under an earlier price guarantee scheme. Some worry that the sugar industry will suffer because of the political desire to make an example of it.

But perhaps the greater fear is a fudge. Geoff Mitchell, head of Tate & Lyle's Bundaberg Sugar, said: "The industry has to either continue down the competitive track or it has to revert to a sustainable regulated environment."

Oil and gas derivatives market estimated at $40bn a year

By Robert Corzine

The international market in oil and natural gas derivatives has risen to $40bn a year, according to a new study from the accountants Price Waterhouse and Petroleum Intelligence Weekly, a trade journal.

The study says rapid growth in the use of derivatives is affecting the structure of the energy industry and has reduced the seasonality of oil and gas price movements.

Publication of the study comes amid sharp swings in oil prices, which some analysts have attributed to the extensive use of futures markets.

The London-based Centre for Global Energy Studies says the recent price rally has been underpinned by a trend among oil companies to hold lower levels of stocks.

"Industry stocks are lower than they have been for many years and companies rely on futures markets to provide price insurance against supply disruptions," the centre indicates in its latest monthly report.

"Oil prices are therefore more responsive to short-term shifts in supply and demand..."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1658-59	1687-88
Previous	1657.5-58.5	1686.5-87.0
High/low	1656	1696/1681
AM Official	1655-56	1684-84.5
Kerb close		1695-6
Open int.	231,619	
Total daily turnover	41,870	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1425-35	1465-75
Previous	1425-35	1465-70
High/low		1470/1465
AM Official	1425-35	1465-70
Kerb close		1465-75
Open int.	4,794	
Total daily turnover	1,518	

■ LEAD ($ per tonne)

Close	710-11	707-8
Previous	709-11	707-9
High/low	712/710	709/706
AM Official	711.5-12	707.5-8.5
Kerb close		706-7
Open int.	34,591	
Total daily turnover	6,700	

■ NICKEL ($ per tonne)

Close	8055-65	8180-90
Previous	8110-20	8235-40
High/low	8065	8230/8160
AM Official	8065-70	8180-90
Kerb close		8230-40
Open int.	39,950	
Total daily turnover	9,219	

■ TIN ($ per tonne)

Close	6225-35	6255-60
Previous	6225-35	6250-60
High/low	6240	6260/6225
AM Official	6230-35	6250-55
Kerb close		6260-70
Open int.	14,639	
Total daily turnover	4,441	

■ ZINC, special high grade ($ per tonne)

Close	1005.5-6.5	1031-32
Previous	1013.5-4.5	1039-40
High/low		1035/1031
AM Official	1007-7.5	1032-32.5
Kerb close		1032-3
Open int.	83,790	
Total daily turnover	16,578	

■ COPPER, grade A ($ per tonne)

Close	2858-63	2708-9
Previous	2840-45	2702-3
High/low	2850/2835	2716/2688
AM Official	2850-55	2705-7
Kerb close		2715-6
Open int.	171,945	
Total daily turnover	112,673	

■ LME AM Official £/$ rate: 1.5389
LME Closing £/$ rate: 1.5383

Spot: 1.5375 3 mths: 1.5345 6 mths: 1.5319 9 mths: 1.5292

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	131.35	+1.15	131.50	128.80	864	3,241
Jan	129.05	+1.25	129.10	127.70	208	2,815
Feb	126.55	+1.00	126.55	125.85	49	1,062
Mar	124.05	+0.75	124.20	122.40	4,160	15,774
Apr	121.95	+0.65	121.65	121.25	52	636
May	120.15	+0.35	120.30	119.60	155	2,966
Total					6,037	35,021

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	387.60-388.00		
Opening	387.00-387.30		
Morning fix	387.10	251.201	447.720
Afternoon fix	387.60	251.770	441.880
Day's High	387.80-388.20		
Day's Low	386.90-387.20		
Previous close	387.60-387.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 1.91 6 months 2.83
2 months .... 2.04 12 months 2.90
3 months 2.50

Silver Fix	p/troy oz.	US cts equiv.
Spot	332.75	512.25
3 months	337.35	518.35
6 months	341.85	524.35
1 year	350.75	535.75

Gold Coins	$ price	£ equiv.
Krugerrand	390-391	253-254
Maple Leaf	398.80-401.30	
New Sovereign	90-92	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	388.8	+1.4	388.5	388.0	47	205
Feb	389.6	+1.2	389.9	388.0	18,326	53,757
Apr	391.4	+1.2	391.8	388.7	622	15,409
Jun	393.4	+1.2	393.5	391.7	2,194	23,171
Aug	395.3	+1.2	-	395.0	45	4,311
Oct	397.4	+1.2	-	-	28	3,588
Total					23,258	142,709

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	407.6	-0.2	408.2	405.0	1,628	7,768
Apr	408.6	-0.1	409.3	406.0	1,214	8,405
Jul	410.4	-	-	-	57	1,980
Oct	412.1	+0.3	412.0	412.0	6	1,029
Jan	413.7	+0.3	-	-	20	26
Total					2,906	20,206

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	130.20	+0.25	-	-	15	32
Mar	131.95	+0.25	132.00	129.50	554	5,397
Jun	133.45	+0.26	138.78	138.78	-	455
Total					589	5,887

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	512.5	+2.3	511.0	509.5	19	57
Jan	513.2	+2.3	508.0	508.0	10	33
Mar	518.7	+2.2	521.0	515.0	6,339	58,565
May	523.4	+2.2	524.0	520.0	92	9,953
Jul	527.8	+2.2	530.0	526.0	17	7,770
Sep	532.2	+2.2	533.0	529.5	5	8,848
Total					6,506	94,931

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	19.09	-	-	-	32,951	10,932
Feb	18.90	-0.09	19.11	18.85	49,101	94,868
Mar	18.57	-0.08	18.75	18.53	13,397	43,177
Apr	18.31	-0.09	18.45	18.90	6,269	24,531
May	18.12	-0.07	18.24	18.10	2,653	15,068

MEAT AND LIVESTOCK

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	59.475	-1.075	60.975	59.100	1,574	5,089
Mar	59.475	-1.000	60.950	59.100	203	1,005
May	60.250	-1.350	62.000	60.250	32	499
Jul	61.500	-0.600	62.350	60.750	75	623
Aug	58.725	-1.100	60.200	60.050	14	174
Total					1,899	7,390

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jan	Mar	Jan	Mar
1600	79	109	1	18
1700	11	46	33	53
1800	-	18	122	119
■ COPPER (Grade A) LME	Jan	Mar	Jan	Mar
2700	-	91	-	75
2800	74	49	12	132
2900	19	-	57	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1950	148	294	-	22
2000	98	252	-	33
2050	49	213	1	47
■ COCOA LCE	Mar	May	Mar	May
850	69	93	7	10
875	50	75	13	17
900	35	58	28	25
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1650	-	-	1	-
1700	-	71	5	24
1750	-	40	17	46

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$16.79-6.86w	+0.055
Brent Blend (dated)	$18.00-8.02	+0.060
Brent Blend (Feb)	$17.75-7.77	+0.010
W.T.I. (1pm est)	$19.89-8.91w	-0.035

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$170-172	
Gas Oil	$176-177	
Heavy Fuel Oil	$103-105	+1
Naphtha	$160-162	
Jet fuel	$201-202	+1.5
Diesel	$179-180	-1

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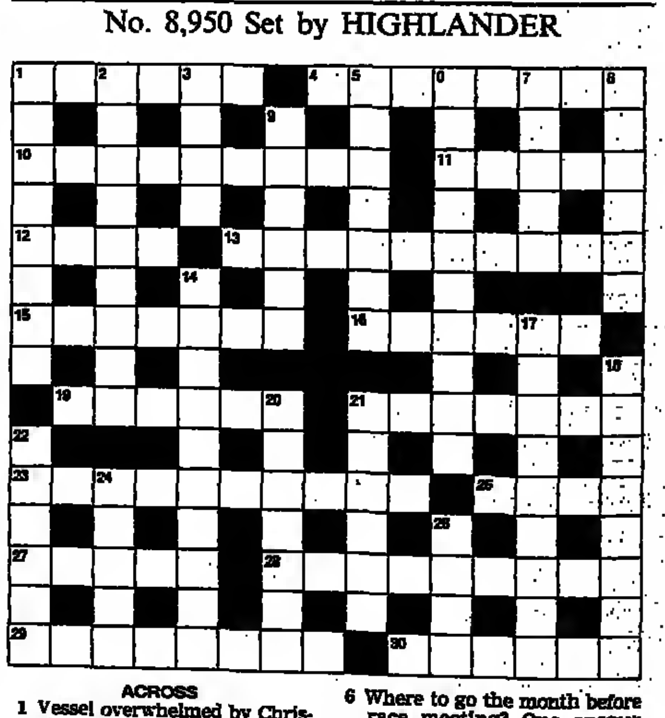
■ OTHER

Gold (per troy oz)♣	$387.80	+0.05
Silver (per troy oz)♣	515.6c	-2.0
Platinum (per troy oz.)	$405.25	-4.75
Palladium (per troy oz.)	$128.25	-4.25
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.64m	-0.02
Tin (New York)	296.5c	
Cattle (live weight)†	120.84p	+1.75*
Sheep (live weight)†♣	118.10p	-0.79*
Pigs (live weight)†	114.64p	+5.72*
Lon. day sugar (raw)	$305.8	+2.5
Lon. day sugar (wte)	$369.1	-6.9
Barley (Eng. feed)	£117.75z	
Maize (US No3 Yellow)	$150.5z	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	106.00p	-2.00
Rubber (Feb)♥	106.00p	-2.00

JOTTER PAD

CROSSWORD

No. 8,950 Set by HIGHLANDER



ACROSS

1 Vessel overwhelmed by Christian generosity (6)
4 Stage first performance with actors like mine (8)
10 For audience one who gives up would provide timber (9)
11 Pansy appearing in Twelfth Night? It's a fiddle! (5)
12 Angler's artificial bait left on river (4)
13 Young one makes a fuss with the French perfume (10)
15 Team leader takes second fish (7)
16 Reticent about occasional poor quality fabric (6)
19 Clever plan to remove wickedness? (6)
21 Awoke in prison, looking embarrassed (7)
23 Successful author has finest wine collection, they say (4,6)
25 One containing an indefinite number of spots (4)
27 Friend overseas needs to travel on a motorway (5)
28 Old megazine's policy to reveal point of joke (5,4)
29 Decade that's encapsulated by Boat Race crews (8)
30 Relative profits from poetry (6)

DOWN

1 Adverse reaction by stern Whip (8)
2 Junior has to dismiss being attacked (5,4)
3 Brief performance produces what sounds like the bird (4)
5 Quietly goes off with oars (7)
6 Where to go the month before race meeting? One answer here (4,6)
7 Stopped sleeping with a cooking pot on middle of bed (5)
8 Street vehicle reversed into pamphlets (6)
9 Scarlet dress almost turned up as skirt (6)
14 Plunder left on board in wet blanket (10)
17 Management course (9)
18 Head goes haywire over torn fan (8)
20 Obscure extracts in two identical keys (7)
21 Colour of earth the girl is turning over (6)
22 Sailor sits on loaf that's burning (6)
24 Sort of music that'll make the ball move? (5)
26 Drive away; move very rapidly without stopping (4)

Solution 8,949

هكذا من الأصل

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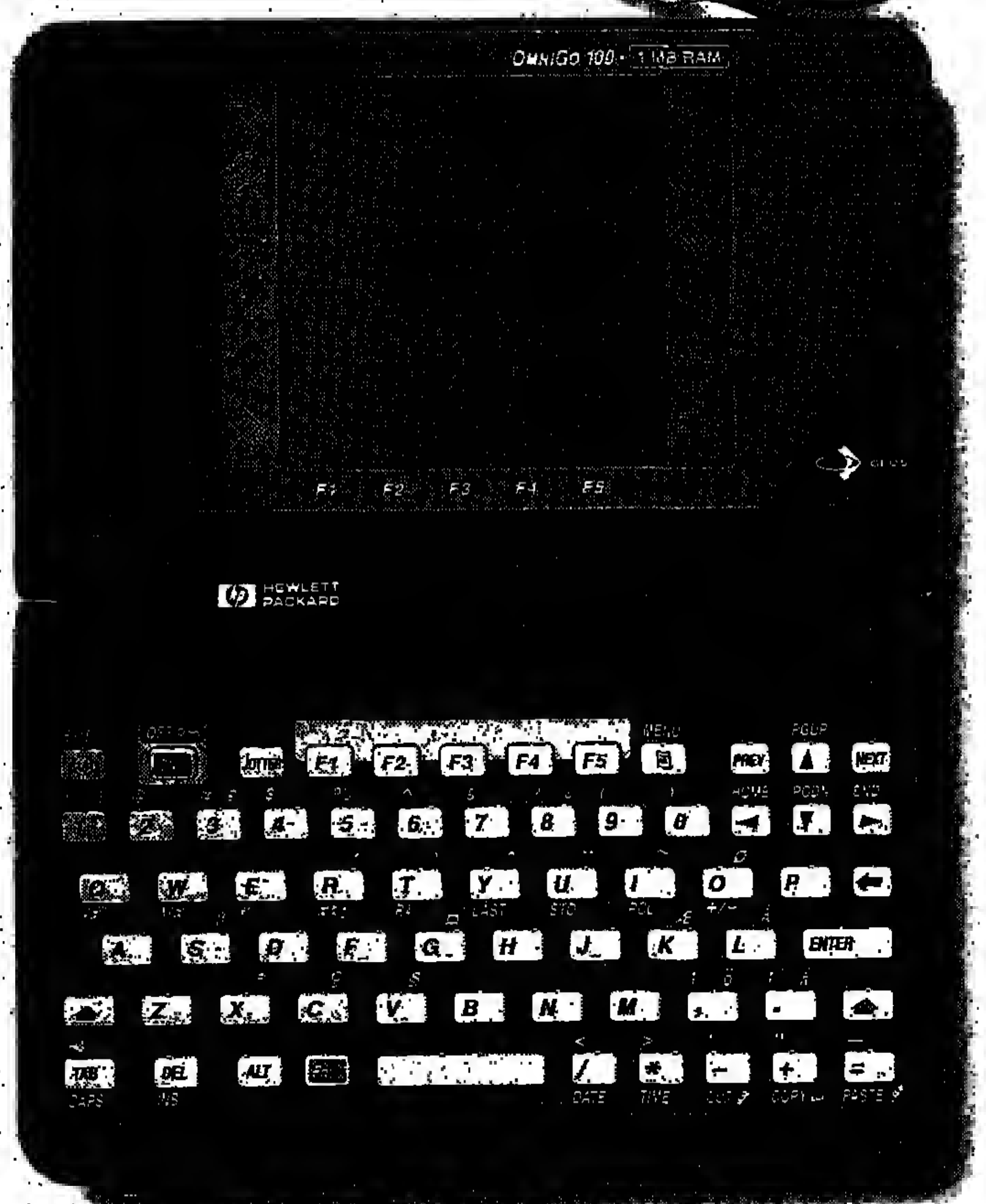

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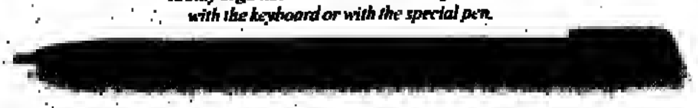

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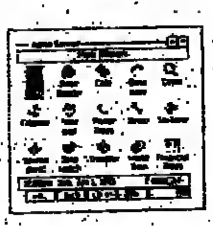

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Terms for BankWest flotation set

By Nikki Tait in Sydney

Bank of Scotland, which recently bought BankWest, the Perth-based regional bank, from the Western Australian state government for A$900m (US$672m), is aiming to recoup A$437.7m of that when it floats a 49 per cent interest in the bank on the Australian stock exchange early next year.

The flotation prospectus was published yesterday in Australia, and prices the 213.5m sbares being sold at A$2.05 each. The share offer opens on January 8, and trading in the stock is expected to start on February 15. It is not underwritten, and Bank of Scotland will retain any shares not sold.

In the prospectus, BankWest predicts modest profits growth in the next few years. It forecasts a 6 per cent increase in after-tax profits for the year to end-February, at A$94.5m, and says the figure should rise a further 6 per cent to A$100.2m in the 1996-97 financial year.

"Continued competitive pressure, particularly on interest margins, combined with a number of external factors, including the increased tax rate, will, in the directors' opinion, constrain the bank's capacity to increase profits after tax in the 1997 financial year as strongly as in the previous years."

But the bank adds that pre-tax profits should show a stronger 16.9 per cent increase, from A$136.8m to A$159.9m in 1996-97.

"In the long term, directors look forward to further periods of strong profits growth ... as the state's economy continues to grow," it says. It argues that Western Australia should be able to sustain "above average" rates of economic, population and employment growth and, with 90 per cent of business based in the state, this should be to BankWest's advantage. The key prediction is for real economic growth of 4 to 5 per cent in each of the four years to 1998-99.

The sell-down of the Bank of Scotland interest was anticipated when the company emerged as the buyer of BankWest in September.

Shareholders approve RTZ-CRA merger

By Nikki Tait in Sydney and Kenneth Gooding in London

New conditions imposed by the Australian governmeot before it would approve the merger of CRA with the RTZ Corporation of the UK were "not remotely onerous and should not give concern to any shareholder", Mr Bob Wilsoo, RTZ's chief executive, insisted yesterday.

He was speaking at a meeting at whicb RTZ shareholders gave overwhelming approval for the merger that will produce the world's biggest mining company.

CRA shareboIders had given their approval a few hours earlier by an equally wide margin.

RTZ bas agreed with the Australian government to cut its shareholding in CRA from the present 49 per ceot to 39 per cent during the next 10 years.

The holding may be reduced further "to the minimum requirements necessary for RTZ shareholders to preserve the benefits of foreign investment dividends under UK taxation laws".

At present this level is about 20 per cent. There is oo set time limit for this further reduction.

According to the Australian government, the new agreement also requires that the exploration teams of the two gronps be combined, with Australian representation at seulor levels; Australian employees be used "to provide expertise" for various RTZ-geoerated diamood and iroo ore developments, as well as coal projects in the Americas and aluminium production in the UK; and that "the boards of the dual listed companies ... have regard to the public shareholding in CRA when nominating directors to the board".

Once RTZ gave these undertakings, the government dropped the two conditions it had previously placed on the deal in return for its approval under Australia's foreign investment guidelines.

The previous conditions, imposed on "national interest" grounds, stipulated that one-third of the boards of the combinad groups ba Australian, and that CRA be given responsibility for the combined group's Latin American assets.

The government's volte-face was immediately attacked by Australia's coalition opposition. "The humiliating backdown confirms the ad hoc and ill-considered nature of this axtraordinary minute-to-midnight intervention last week," said Mr Peter Costello, shadow treasurer. However, he said the opposition welcomed the final outcome.

Mr John Uhrig, CRA's chairman, said that virtually all of the new "conditions" had already been envisaged by the companies. The only new element was the commitment to a timescale on the sell-down of RTZ's stake in CRA.

"We did talk about a possible sell-down," admitted Mr Uhrig after the meeting, "but it was not firm".

Under the naw agreement, there is oo requirement that the RTZ shares be sold into the Australian market, and both Mr Uhrig and Mr Wilson indicated it was possible that the sell-down might be made at the time of an acquisition – using RTZ's shares in CRA either to raise funds or as direct consideration.

MBO launched for Skellerup Industries

By Terry Hall in Wellington

Former banker Mr Murray Bolton has launcbed a NZ$400m (US$261m) management buy-out for Skellerup Industries, the New Zealand retail and industrial group he beads.

Skellerup – known locally as Baby Bil – is made up of companies once controlled by Brierley Investments. As a Brierley executive Mr Bolton was responsible for the group's formation and subsequent listing on the New Zealand market at NZ$1.50 a share in 1993.

The buy-out offer of NZ$2.45 a share compares with a pre-announcement market price of NZ$2.07. The offer is being made through Maine Investments, a company controlled by senior Skellerup managers, and GS Capital Partners II, a fund affiliated to Goldman Sachs. Brierley Investments has a 30 per cent stake in Maine.

Skellerup, wbose interests include garden centres, lawnmower manufacturing and a pottery business, lifted net profits 75 per cent to NZ$44.4m in the year to last June.

World Bank launches record Czech koruna issue

By Conner Middelmann

The World Bank yesterday set a record with its first foray into the Czech koruna sector, launching the largest offering in that currency to date.

The Kč2.5bn issue of 10.2 per cent two-year bonds met with strong demand from German and Austrian retail investors and European emerging-market funds, lead manager Commerzbank said.

Investors were attracted by the 600-odd basis point yield-pick-up over domestic German paper and prospects for a stable or even slightly appreciating currency – factors that have even drawn buying for seasoned koruna bonds by US investors in recent weeks.

"There's a lot of demand for koruna paper, but the supply can't keep up because it's hard to find swaps in this market," one dealer said.

The proceeds of the World Bank issue were swapped into D-Marks.

In late trading tha World Bank also launched a DM150m seven-year bond targeted at Japanese retail investors.

● Matif, the French futures market, is to make available next month a facility for basis trading on the 10-year notionuel futures contract, the Ecu bond and the CAC-40 stock index contract.

A basis trada transaction is a simultaneous exchange between two markat participants of a certain number of futures contracts and an equivalent number of underlying cash instruments (the deliverable security in the case of the notionnel and Ecu contracts), and a basket of at least 35 shares that make up the CAC-40 contract.

Liffe and the Deutsche Terminbörse, the UK and German derivativas exchanges, announced similar facilities earlier this year.

US Treasuries advance but German prices slip

By Lisa Bransten in New York and Richard Lapper in London

US Treasuries again set the tone for international bond markets yesterday following Tuesday's cut in the target Federal funds rate. European bonds strengthened although German 10-year bonds were hit by news of higher-than-expected supply in tha first quarter of next year.

■ US Treasury prices were stable to modestly higher as traders continued to react to the Federal Reserve's decision to lower the Fed funds rate and awaited developments in the budget debate in Washington.

Near midday, the benchmark 30-year Treasury was ⅛ higher at 110¼ to yield 6.091 per cent. At the short end of the market, where the gains were sharpest on Tuesday, the two-year note was unchanged at 100¼, yielding 5.287 per cent.

In early trading, bonds carried through the strong gains made on Tuesday after the Fed's Open Market Committee moved to lower target short term rates by 25 basis points to 5½ per cent. By midday, however, they were off their sesslun highs after Mr Leon Panetta, President Bill Clinton's chief of staff, said that problems had developed in negotiations with Congressional leaders over how to balance the federal budget.

Also weighing on yesterday's market was an afternoon auction of $18.25bn of two-year notes.

Mr William Curtin, chief fixed income strategist at Lehman Brothers, said that with the two-year yield already well below the Fed funds rate it might be hard to generate much demand at the auction.

GOVERNMENT BONDS

For the second consecutive day there was no government data because the offices that prapare the statistics were closed for lack of a budget agreement. Tha government was to have released gross domestic product figures and housing statistics on Tuesday and trade data yesterday.

■ German bonds were initially buoyed by the overnight rebound in the US, but were then depressed by supply fears. The Bundesbank announced that it would issue DM45bn in the first quarter of next year, a higher number than expected by tha market. Mr Kirit Shah, international strategist at First Chicago, said the announcement could be interpreted as signalling "the last leg of the rally. Although the bull trend is likely to continue well into next year, 6 per cent [as a yield on the benchmark 10-year bond] could be difficult to break in the near-term".

Surprisingly, new evidence of economic elowdown in Germany had little impact. The IFO economics institute revised its forecast for economic growth for 1995 down to 2 per cent for 1995 and 1.75 per cent for 1996 (compared with earlier projections of 2.25 and 2.5 per cent respectively).

At Liffe the March 10-year bond future settled at 98.83 (up 0.28), off the day's high of 99.12. In the cash market the German 10-year yield spread over Treasuries widened by ten basis points to 28.

■ UK and French government bonds were buoyed by Treasuries, with shorter-dated bonds performing particularly well. Yields on benchmark two-year French paper fell by eight basis points, while yields on benchmark UK three-year bonds fell by the same amount.

At Liffe the March long gilt contract gained nearly a quarter of a point to settle at 110, while at Matif the March notionnel settled at 119.84, up 0.30. The March Pibor contract settled at 94.84 up 0.13.

● IBCA, the European credit rating agency, yesterday warned that the US would stay on credit watch for a possible downgrade of its AAA credit rating until the currant impasse between the president and Congress is resolved. IBCA said that any "default by tha US govarnment would be absurd in view of the strong American capacity to pay, but mistakes can happen in dangerous games of bluff".

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
World Bank★	150	5.35	100.00	Jan.2003	1.15	-	DKB (Deutschland)
FRENCH FRANCS							
Sofincot‡	1bn	(a)	100.04R	Jul.1998	0.175R	-	Banque Nationale de Paris
PESETAS							
Nordic Investment Bank(b)	10bn	(b1)	100.00	Dec.2005	1.835	-	Argentaria/ Citibank
CZECH KORUNA							
World Bank	2.5bn	10.20	101.125	Jan.1998	1.25	-	Commerzbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Pibor +12½bp. b) Callable on 29/12/98 at par. b1) 9.22% for 1st 3 yrs and 10% thereafter. Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	111.1200	+0.930	8.35	9.33	9.63
Austria		6.500	11/05	100.4700	+0.470	6.43	6.50	6.82
Belgium		6.500	03/05	98.2800	+0.070	9.75	6.72	6.85
Canada *		8.750	12/05	110.3900	+1.050	7.26	7.38	7.67
Denmark		8.000	03/06	104.3600	+0.160	7.37	7.34	7.67
France	BTAN	7.750	04/00	105.8900	+0.140	5.92	5.97	6.33
	OAT	7.750	10/05	107.4000	+0.330	6.70	6.85	7.15
Germany Bund		6.500	10/05	102.9500	+0.270	6.09	9.09	9.36
Ireland		8.250	10/04	91.8000	+0.050	7.55	7.46	7.93
Italy		10.500	09/05	97.7100	+0.360	10.88†	10.89	11.44
Japan	No 129	8.400	03/00	119.9320	+0.060	1.41	1.35	1.44
	No 174	4.600	09/04	113.6260	+0.157	2.68	2.65	2.73
Netherlands		6.750	11/05	104.6200	+0.390	9.11	6.11	6.38
Portugal		11.875	02/05	111.1900	+0.490	9.94	10.14	11.05
Spain		10.150	01/06	100.9500	+0.730	9.83	10.01	10.71
Sweden		6.000	02/05	83.5000	+0.278	8.69	8.70	9.20
UK Gilts		8.000	12/00	104-24	+4/32	6.85	8.83	7.28
		9.500	12/05	106-27	+5/32	7.51	7.42	7.86
		9.000	10/08	110-24	+7/32	7.66	7.58	7.99
US Treasury *		5.875	11/05	101-06	+36/32	5.71	5.73	5.99
		8.875	08/25	110-30	+57/32	6.07	6.06	9.33
ECU (French Govt)		7.500	04/05	103.1500	+0.450	7.02	7.11	7.53

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.45	Two year	5.29
Prime rate	8½	Two month	5.18	Three year	5.34
Broker loan rate	7½	Three month	5.17	Five year	5.50
Fed.funds	5⅞	Six month	5.27	10-year	5.71
Fed.funds at intervention	-	One year	5.24	30-year	6.08

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.06	119.84	+0.30	120.12	118.94	96,542	119,917
Jun	120.46	120.26	+0.30	120.46	120.46	2	4,029
Sep	119.60	119.40	+0.30	119.60	119.60	2	615

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Mar	PUTS Jun
118	-	2.36	-	0.02	0.52	-
119	0.93	1.68	-	0.11	0.79	1.17
120	0.26	1.04	-	0.43	1.20	1.57
121	0.05	0.63	1.34	-	-	-
122	-	0.35	-	-	-	-

Est. vol. total, Calls 21,712 Puts 15,456. Previous day's open int., Calls 144,559 Puts 150,632.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.11	98.83	+0.28	99.12	98.70	91489	205274
Jun	98.19	98.16	+0.28	98.19	98.08	446	1287

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9850	0.33	0.78	1.03	1.17	0	0.43	0.70	1.51
9900	0	0.50	0.79	0.95	0.17	0.67	0.93	1.79
9950	0	0.30	0.55	0.76	0.67	0.97	1.22	2.10

Est. vol. total, Calls 12050 Puts 10358. Previous day's open int., Calls 194949 Puts 180811

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106.25	106.30	+0.41	106.44	105.98	17641	50130
Jun	-	105.90	+0.41	-	-	0	1092

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10600	1.80	2.55	1.50	2.65
10650	1.55	2.31	1.75	2.91
10700	1.32	2.09	2.02	3.19

Est. vol. total. Calls 502 Puts 53. Previous day's open int., Calls 40667 Puts 30513

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	94.75	94.23	+0.60	94.89	94.61	46,473	40,488

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-14	110-12	+0-06	110-17	110-08	3073	20454
Mar	110-08	110-00	+0-07	110-07	109-26	27455	124605

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
110	0	1-00	1-24	1-55	0	1-00	1-24	2-27
111	0	0-36	0-59	1-29	1-00	1-36	1-59	3-01
112	0	0-18	0-37	1-07	2-00	2-18	2-37	3-43

Est. vol. total, Calls 2521 Puts 819. Previous day's open int., Calls 26058 Puts 26205

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	90.00	90.00	+0.42	90.06	88.84	1,828	5,923

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	119-15	119-24	+0-13	120-01	119-10	383,318	378,588
Jun	119-04	119-08	+0-12	119-15	119-02	1,723	17,482
Sep	118-19	118-25	+0-12	118-27	118-19	612	3,601

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	121.43	-	-	121.53	121.43	1266	0
Jun	120.03	-	-	120.05	120.01	235	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Dec 20	Day's change %	Tue Dec 19	Accrued interest	xd adj. ytd		Low coupon yield Dec 20	Low Dec 19	Low Yr. ago	Medium coupon yield Dec 20	Medium Dec 19	Medium Yr. ago	High coupon yield Dec 20	High Dec 19	High Yr. ago
1 Up to 5 years (23)	123.00	+0.07	122.91	1.67	10.77	5 yrs	6.93	6.96	8.49	6.94	6.98	9.49	7.01	7.04	8.69
2 5-15 years (21)	149.50	+0.24	149.15	1.52	12.47	15 yrs	7.68	7.72	8.36	7.73	7.76	8.49	7.80	7.82	8.71
3 Over 15 years (8)	166.87	+0.33	166.45	2.19	13.26	20 yrs	7.77	7.80	8.33	7.79	7.83	9.49	7.85	7.87	8.66
4 Irredeemables (6)	192.00	+0.25	191.53	1.79	13.71	Irred.†	7.86	7.86	8.40						
5 All stocks (58)	144.58	+0.20	144.31	1.71	12.12										

Index-linked							Inflation 5% Dec 20	Dec 19	Yr. ago	Inflation 10% Dec 20	Dec 19	Yr. ago
6 Up to 5 years (1)	196.07	+0.18	195.72	1.33	8.37	Up to 5 yrs	2.51	2.58	3.98	1.26	1.33	2.67
7 Over 5 years (11)	188.30	+0.11	188.48	0.59	5.47	Over 5 yrs	3.52	3.52	3.83	3.31	3.31	3.63
8 All stocks (12)	188.34	+0.11	188.49	0.61	5.53							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 20	Dec 19	Dec 18	Dec 15	Dec 14	Yr ago	High*	Low*
Govt. Secs. (UK)	95.65	95.63	95.93	96.10	96.05	91.77	96.22	90.22
Fixed Interest	114.32	114.31	114.96	115.01	114.91	108.79	115.04	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 19	Dec 18	Dec 15	Dec 14	Dec 13
Gilt Edged bargains	90.7	83.0	79.2	87.1	67.2
5-day average	85.5	83.1	80.9	81.1	82.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 20

[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 14pc 1996		13.90	6.55	100⅞xd	--	106⅞	100⅞
15¼pc 1996‡‡		14.77	6.30	103¼	--	109⅝	103¼
Exch 13¼pc 1996‡‡		12.90	6.32	102¾	--	107¼	102¾
Conversion 10pc 1996		9.68	6.13	103⅜	--	104⅞	103⅜
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 12½pc 2003-5		9.62	7.43	129⅞	+⅛	130⅞	119⅞
Treas 8½pc 2005‡‡		7.95	7.50	106⅞	+¼	108⅛	97⅞
7½pc 2006‡‡		7.51	7.53	99⅞	+¼	101⅞	94⅞
7¾pc 2006‡‡		7.65	7.57	101⅞	+⅛	102½	92⅞
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2pc '96	(67.9)	-	1.40	215⅞	+⅛	215⅞	200⅞
4⅝pc '98‡‡	(135.6)	1.26	2.51	112⅞	+⅛	112⅞	100⅞
2½pc '01	(78.3)	2.76	3.28	178⅞	+⅛	178½	165⅞
2½pc '03	(78.8)	2.98	3.39	174⅞	+⅛	174⅞	161⅞
[illegible]							

Other Fixed Interest

[illegible]

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar holds up well after Fed cuts US rates

By Philip Gawith

The dollar turned in a steady performance yesterday, maintaining the recent trend of currencies responding positively to cuts in domestic interest rates.

The firm showing was helped by the continued bullish performance of US asset markets, with stock and bond prices rallying in the wake of the 25 basis point cut in the federal funds rate, to 5.5 per cent, on Tuesday.

Activity, however, in currency markets remained very modest, with traders more concerned with Christmas parties, and investors unwilling to take on fresh risk. Barring unforeseen circumstances, it looks as if markets will have to wait until the New Year for fresh trading direction, when portfolio managers start to implement investment strategies.

The dollar managed to hold onto gains above DM1.44, finishing in London at DM1.4494, from DM1.4355 on Tuesday, before the Fed cut rates. During Asian trading, it reached a high of DM1.4460. Against the yen it closed at Y101.935, from Y101.67.

The pound slipped during early European trading, following the government's defeat the previous evening in a vote on fishing policy. It later recouped its losses to close at DM2.2199, from DM2.2155. Against the dollar it finished at $1.538, from $1.5433. The trade weighted index finished unchanged at 82.9.

The D-Mark was slightly weaker in Europe, finishing at FFr3.437 against the French franc, from FFr3.442. The D-Mark opened weaker on most European crosses, suggesting the market had been long D-Marks the previous evening.

There was little reaction to news that German M3 grew by an annualised two per cent in November, against 1.7 per cent in October. Germany's IFO institute encouraged the Bundesbank to cut interest rates again in the spring of 1996.

■ While the dollar performed steadily, it lacked the impetus to move decisively higher. Mr Peter Luxton, currency strategist at MMS in London, said: "The dollar was bid up in the morning, but with the lack of a budget deal, there is no momentum behind it."

There was precious little sign of progress from the politicians. Mr Leon Panetta, the White House chief of staff, said "problems had developed" in getting talks going. Mr Newt Gingrich, the Republican speaker in the House, said the two sides were "trying to find a way to meet" on the budget.

Mr David Cocker, economist at Chemical Bank in London, said the dollar was unlikely to be able to move abovo DM1.4550 against the D-Mark without the benefit of some sort of balanced budget package being agreed. "This means a package covering the whole seven years, rather than a piecemeal one which covers the next fiscal year, but leaves the question of how to finance cuts further out as e presidential campaign issue."

Mr Cocker said the dollar could rally as far as DM1.50 on good news, but was then likely to run into problems in the form of scepticism over the European single currency project lending renewed strength to the D-Mark.

Ho was more sanguine about the outlook against tho yen, noting that the turnaround in the trade trends, and the desire of Japaneso investors to increase tho weighting of overseas assets, made Y120 a long-term target.

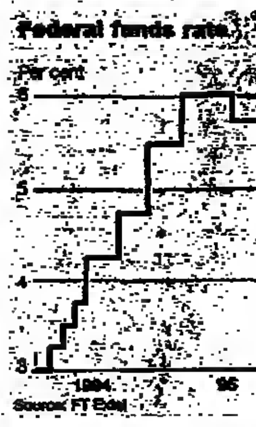
Mr Mike Rosenberg, head of international fixed incomo research at Merrill Lynch in New York, said the dollar could rally sharply in the New Year. "Fed policy is still too tight. The yield curve is inverted and the real Fed funds rate is still too high, which is normally good for the dollar."

Ho downplayed tho importance of a budget deal, saying it was "only important because people think that it is." He noted that the US budget deficit is better than just about anywhere else in the developed world. The market, he said, was illustrating a knee-jerk response of "Washington stalemate - sell the buck."

Mr Rosenberg said the bull market in interest rates persisted, but predicted that Japan would lead the way in 1996 with e policy tightening. On this basis, he predicted the yen could do better than people expected, as Japanese rates rose, while US and German ones fell.

Mr Luxton said the UK government's defeat on the fishing policy vote, "reminded markets that there is quite a high political risk factor in sterling."

Federal funds rate



Source: FT Extel

■ Pound in New York

Dec 20	Latest	Prev. close
£ spot	1.5375	1.5420
1 mth	1.5464	1.5411
3 mth	1.5343	1.5382
1 yr	1.5250	1.5306

■ OTHER CURRENCIES

Dec 20	£	$
Czech Kr	40.9944 - 41.0364	26.6630 - 26.6730
Hungary	209.607 - 209.821	136.330 - 136.380
Iran	4615.50 - 4612.50	3000.00 - 3000.00
Kuwait	0.4600 - 0.4611	0.2992 - 0.2997
Poland	3.8883 - 3.9039	2.5355 - 2.5375
Russia	7127.87 - 7127.84	4633.00 - 4636.00
U.A.E.	5.6468 - 5.6517	3.6727 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Dec 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6203	+0.0315	109 - 296	15.6710	15.5789	15.5768	3.3	15.5328	2.2	-	-	108.4
Belgium	(BFr)	45.5864	+0.0359	408 - 319	45.9060	45.4940	45.4814	2.8	45.3014	2.5	44.6014	2.2	109.0
Denmark	(DKr)	8.6059	+0.0139	008 - 110	8.6610	8.5914	8.5943	1.6	8.5789	1.3	8.5184	1.0	109.3
Finland	(FM)	6.7227	+0.0372	147 - 309	6.7410	6.6900	6.7183	0.8	6.7102	0.7	-	-	86.8
France	(FFr)	7.6306	+0.0048	272 - 340	7.6507	7.6124	7.6254	0.8	7.6173	0.7	7.5709	0.8	110.2
Germany	(DM)	2.2199	+0.0044	186 - 211	2.2278	2.2162	2.2163	2.5	2.2082	2.5	2.1658	2.4	111.3
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.1562	+0.0552	534 - 590	10.1840	10.1250	10.1407	1.8	10.1147	1.6	10.0112	1.4	108.5
Belgium	(BFr)	29.6400	+0.125	200 - 600	29.8050	29.5470	29.588	2.1	29.5	1.9	29.195	1.5	108.7
Denmark	(DKr)	5.5955	+0.0282	940 - 970	5.6033	5.5781	5.5917	0.8	5.5865	0.7	5.603	-0.1	108.6
Finland	(FM)	4.3711	+0.0391	673 - 748	4.3814	4.3430	4.3661	1.4	4.3574	1.3	4.3286	1.0	86.5
France	(FFr)	4.9614	+0.0202	808 - 820	4.9895	4.9420	4.9649	-0.8	4.9724	-0.9	4.9839	-0.5	109.8
Germany	(DM)	1.4494	+0.0079	490 - 437	1.4489	1.4390	1.4412	1.8	1.4388	1.9	1.4174	1.8	110.9
[illegible]													
			+0.014	830 - 330	26.2330	26.1830	-	-	-	-	-	-	-
			-	502 - 508	3.7506	3.7502	3.7508	-0.1	3.7515	+0.1	3.7549	-0.1	-
			+0.0005	145 - 155	1.4168	1.4145	1.4115	3.0	1.4065	2.7	1.38	2.5	-
			-0.0039	630 - 645	3.6710	3.6630	3.6918	-9.2	3.7429	-8.6	3.9848	-8.8	-
			+0.2	600 - 700	772.300	771.400	774.85	-4.7	778.15	-3.4	798.85	-3.2	-
			+0.008	380 - 410	27.3420	27.3380	27.3595	-0.9	27.3995	-0.9	-	-	-
			+0.02	700 - 900	25.1800	25.1700	25.2787	-4.7	25.4825	-4.8	26.365	-4.7	-

† ... Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market ... UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 19: Base average 1990=100

WORLD INTEREST RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
8975	0.43	0.79	1.04	0.32	0.31	0.43
9000	0.30	0.64	0.88	0.44	0.41	0.52
9025	0.20	0.50	0.73	0.59	0.52	0.62

Est. vol. total, Calls 150 Puts 0. Previous day's open int., Calls 5918 Puts 4485

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Baring Bros 9pc Cm 2nd Prf.		68½#	—	88	50¼	6.31	19.8	–
Cater Allen		426xd	—	625	418	142.1	8.8	7.2
Close Bros		219	-3	*340½	216¼	309.5	3.4	14.1
Gerrard & Nat		463	—	465	385	221.1	8.2	14.6
Hambros		199xd	—	288	180	348.5	4.8	–
7½pc Cv Pf		98	-1	112	94	126.2	9.6	–
Joseph (L)		459xd	—	463	353	24.3	5.1	25.8
King & Shaxson		149	—	145	85	36.0	6.3	10.6
Rea Brothers		61	+2	67	44	29.7	2.0	24.4
Schroders		1318½	-2½	*1478	905¾	1,986	1.3	18.7
N/V		1108	-7	*1188	823¾	486.8	1.6	15.8
Singer & Fried		180	—	111	61	214.4	4.2	11.3
8½pc Cv Ln 03/14		£135¼	—	2137	£1⅞	41.8	6.3	–
Union		100	—	121	70	28.6	3.8	–
Wintrust		278	—	285	200	23.8	5.4	15.5

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅝	+⅛	£23¼	£21⅛	8,725	4.5	10.6
ANZ A$		300	+1	303	185	4,169	5.3	Φ
Abbey National		623	-6	654	413	8,223	3.9	12.5
Allied Irish E		346	-4	368	250	2,308	4.2	10.1
Anglo Irish IE		65xd	-1	70	40	223.7	6.7	Φ
Asahi Y		778	+3¼	857¼	605¾	17,894	0.8	–
Banco Bil Viz Pta		221⅜	-⅛	221⅝	314⅜	4,870	3.8	9.4
Banco Sant Pta		£30⅛	-⅛	£31½	£22⅞	4,941	4.3	21.0
Bk Ireland IE		409xd	-3	408	288	2,225	3.6	9.4
Bank Scotland		279	+2	307½	161½	3,369	2.0	12.3
9¼pc Pf		119	+½	120½	109¾	119.8	8.7	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

	Notes	Price	+ or -
Brent		80	—
British Vita		212	—
Canning (W)		212	—
Cairnstone		27	—
Warrants		7	—
Courtaulds		460xd	+17
Croda		338	—
Doeflex		208	—
Ellis & Everard		245	-1
Engelhard S		214½	-⅛
European Colour		83xd	—
Gibbon		173	—
Hickson		77	—
Hoechst DM		£270⁵⁄₁₆	+⁷⁄₁₆
Holliday Chemical		164	—
3i		758	+25
Inspec		330	—
Kalon		104	+1
Laporte		645	+7
MTM		77	—
Manders		284	—
Metrotect Inds		37	—
Perstorp SKr		£37⅞	—
Porvair		349	—
Scapa		218½xd	+1
Sutcliffe Speak		279	—
Wellington		240	—
Wolstenholme		883	—
Yorkshire		285	-1
Yule Catto		305	—
Zotefoams		276	—

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31½		£34	£29	2,111	2.7	15.5
Barlow	♣	[illegible]	+⅓₂	£9⅞	£4⅞	1,018	1.6	Φ
Gold Flds Prop R		154		155	136	15.7	6.8	6.9
NK Props		92		98	85	3.78	12.9	-
SASOL	♥	892	+8	848	435	3,115	2.6	-
SA Brews		[illegible]	+⅛	£23⅛	£12⅞	7,013	1.5	31.9
Standard Bank	□	£29½	+½	£31½	£20⅞	3,081	1.6	20.6
Tiger Oats		1150xd	-15	1166	700	1,736	1.7	Φ
Tongaat-Hulett	†	1071xd		1166	836	976.1	1.8	20.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✝ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. & Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init Chge | Notes | Selling Price | Buying Price | + or - | Yield Gr's

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Pvt Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414181 00 352 250404230
Fone D'ance (44) 1732 777377 Hong Kong (852) 848 1000

[illegible]

Prices for dealing December 00

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2780

Jupiter Tyndall World Umbrella Fund Ltd

[illegible]

Newport Investment Management
73 Front street, Hamilton, Bermuda
Dealing: 01481 723298

[illegible]

Orion Fund Limited
5 Front St., Hamilton, HM11, Bermuda 447 292 5370
Orion Dec 14 ... $26.63

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

[illegible]

Butterfield Management Co Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
Global Funds

[illegible]

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

[illegible]

GUERNSEY (REGULATED)(**)

Selling Price | Buying Price | + or - | Yield Gross

ANZ Mngmt Co (Guernsey) Ltd
Emerging Mkts Liquid inv Ptfolio | $14.85 | 14.96

Apollo Investment Management Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd

[illegible]

Bachmann Global Investment Fund Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

The Fiduciary Trust Global Fund

[illegible]

GAM Fund Management Ltd (a)

[illegible]

GT Asset Management (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

Baring Mutual (Ireland) Ltd

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأصل

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Carlson Investment Management

Merrill Lynch Asset Management - Contd.

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Professional Investment Consultants

CR Fund Managers (Bermuda) Limited

Global Asset Management - Contd.

Magellan Emerging Mkts Mngt (Jersey) Ltd

Republic Funds

Credit Commercial de France

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MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

US rate cut injects confidence into equities

By Steve Thompson,
UK Stock Market Editor

There were sighs of relief around trading desks in London with news that the US Federal Reserve had sanctioned a 25 basis-point reduction in interest rates.

The news from the US, which confirmed the market's best expectations of a round of global interest rate reductions, starting with the UK, and cootinuing with Germany and other hard European currencies, was the signal for big gains on all the European markets and especially in London.

The FT-SE 100 index rocketed through the 3,600 level at the opening and, apart from a mid-morning bout of jitters, never really looked like slipping back below the 3,600 level.

Wall Street, after its recent roller-coaster ride, which saw the Dow Jones Industrial Average plunge some 100 points on Monday, before staging a 50-point rally on Tuesday in the wake of the Fed's rate cut news, was looking good at the outset yesterday. The Dow was trading around 15 points higher shortly after London closed.

The FT-SE 100 index finished the session a net 36.8 higher at 3,613.7, only a fraction below the day's best level, while the FT-SE Mid 250 index moved forward 22.7 to 3,960.1.

Turnover in equities was a respectable 889.1m shares at 6pm, with non-FT-SE 100 stocks accounting for just over half the total. But dealers pointed out that getting on for 100m shares of the total were down to a rash of bed and breakfast trades booked at the outset of trading. Bed and breakfast deals represent funds selling underperforming stocks overnight, to establish a tax loss, and buying them back the following morning.

There was something of a sense of anti-climax, however, after the initial bout of interest rate enthusiasm which drove the market above the Footsie 3,600 mark.

Dealers said the tax-related trades had represented the lion's share of business in the morning, and that they expected business to contract sharply for the rest of the week as fund managers close their books for the year and market traders leave early for the Christmas and new year celebrations.

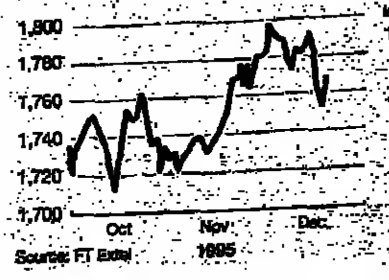
"Nobody expects any real excitement until next year, although you never know these days," said one senior marketmaker.

There was another burst of heavy speculative interest in British Gas, whose shares climbed a further 4 per cent, with the market beginning to take seriously the chances of one of the oil majors launching a takeover bid for the company.

Food retailer Asda, one of the real success stories in the marketplace over the past year, was also one of the heaviest traded stocks, with market rumours suggesting there was a potential buyer of 25m shares on the prowl. Those rumours coincided with talk that a line of 10m Tesco shares were on offer.

Banks remained in the limelight. Barclays occupied third place in the FT-SE 100 underperformance table, with one leading securities house, said to be Merrill Lynch, reported to have unsuccessfully tried to place 2.5m Barclays shares. SBC Warburg was thought to have recommended a switch from Barclays into National Westminster.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Indices and ratios

FT-SE 100	3613.7	+36.8
FT-SE Mid 250	3960.1	+22.7
FT-SE-A 350	1795.2	+16.6
FT-SE-A All-Share	1769.20	+15.42
FT-SE-A All-Share yield	3.86	(3.89)

FT Ordinary Index	2633.0	+37.7
FT-SE-A Non Fins p/e	16.35	(16.20)
FT-SE100 Fut Mar	3630.0	+46.0
10 yr Gilt yield	7.50	(7.53)
Long gilt/equity yld ratio:	2.03	(2.02)

Best performing sectors

1	Gas Distribution	+4.2
2	Electronic & Elec	+2.1
3	Insurance	+1.9
4	Chemicals	+1.8
5	Tobacco	+1.8

Worst performing sectors

1	Banks, Merchant	-0.2
2	Leisure & Hotels	-0.2
3	Water	-0.1
4	Food Producers	-0.0
5	Extractive Inds	+0.2

Zantac lift for Glaxo

Christmas is traditionally a time for giving for the US Food and Drug Administration.

The powerful body tends to grant approval to new drugs around this time of year as it tries to clear its backlog. And a raft of approvals meant that a UK sector which has offered a 60 per cent return in terms of share price rises and dividend payouts this year continued to move ahead.

Among the leaders, Glaxo Wellcome shares responded well to news that the company bas won FDA regulatory approval for a non-prescription versioo of its Zantac ulcer drug. Zantac will be available in US drug stores in the first quarter of next year, following on from Merck's Pepcid and SmithKline Beecham's Tagamet. It also received clearance to market Nimbexa muscle relaxant for surgery.

Approval came on the same day that Glaxo announced the sale of a joint venture non-prescription business to partner Warner-Lambert for $1.05bn, and Glaxo gained 8 at 886p.

Zeneca rose 4 to 1222p after a small scale approval to use Zoladex in the treatment of advanced breast cancer. However, analysts are waiting for tbe FDA to clear its main breast cancer drug Arimidex.

Also, Anagen, the diagnostic equipment company, received clearance for its new testosterone testing system. However, the share price jump of 19 to 76p was more a reflection of hope that tha company is about to find a marketing partner. The shares plummeted in October after Anagen lost its main distributor, but company sources said it was in talks with a new one.

ICI advances

ICI, the chemicals leader, put on a sprightly performance having resisted the general market weakness earlier in the week. The shares rose 25 to 758p, with dealers suggesting that they might have come to the end of their recent disappointing run.

Although the easy explanation was of speculative buying and vague takeover talk, a more plausible line seemed to be that the commodity price cycle had bottomed.

Analysts said that although hard statistics are not available, there were indications that the big European commodity chemicals manufactureres were trying to mark up their prices after a six-month slump. It is early days yet and much will depend on whether the current feeble demand, which has been heavily hit by destocking, begins to rise.

Vodafone Group jumped 12½ to 223½p, in trade of 10m, following a broker's recommendation. It was the day's best performer in the Footsie.

US Investment bank Lehman Brothers reiterated its buy stance on the stock and Mr Paul Norris at the investment bank pointed out that valuation was cheap below the 230p level and said: "The impact of competition in the UK is now discounted in the share price."

Elsewhere in the sector, general investment buying helped BT firm 5¼ to 346¼p in trade of 11m, while concerns over legal matters continued to weigh on Cable and Wireless, off 2 at 451p.

Aerospace related issuas were in demand following a big order as well as an indication of improving prospects for the industry in the US.

Aero-engine maker Rolls-Royce improved 8¼ to 176½p, with tba market cheered by news that All Nippon Airways had decided on International Aero Engine to supply the engines for its Airbus A321 aircraft order worth around $120m.

International Aero Engine, headquartered in Zurich, is a consortium of Pratt & Whitney, Rolls-Royce, Daimler-Benz Aerospace unit MTU, Fiat, and Japan Aero Engine Corp. Dealers suggested the order was worth around $50m to R-R.

Buying was also boosted hy news from Boeing, the world's biggest aircraft maker, which said on Tuesday that its commercial aircraft division is to increase prodnction of passenger aircraft from tha fourth quarter next year. The news has been taken to signal the long recession in world civil aircraft was coming to an end.

British Aerospace put on 3 at 758p, while Smiths Industries bounced 7 to 639p. Lucas Industries rose 7 to 179p and TI Group gained 6 at 435p.

Celehrations continued at Stagecoach Holdings, which was awarded the franchise to run South West Trains earlier this week.

The shares jumped 22 to 315p after UBS, the company's broker, upgraded profits expectations following the new franchise. The broker maintained its current year forecast at £44m, and lifted the following year's estimate by £1m to £55m.

However, it has raised its prediction for the year to 1998 by 20 per cent to £75m, to allow for the contribntion from South West Trains, together with increased volumes and cost cuts.

British Gas jumped another 4.4 per cent yesterday, making a two-day gain of 9 per cent. The rise of 10½ to 250p was achieved on turnover of 36m shares, well ahove the daily average. It reflected a combination of savage underperformance and the appointment of an independent negotiator to sort out the controversial take or pay contracts. Also, there has been a certain amount of speculation that a leading oil group might be taking a hard look at the company.

News of a big oil discovery in the Danish sector of the North Sea gave a lift to Enterprise, the oil exploration and production company. The group said the Siri-1 well, in which Enterprise has a 20 per cent interest, tested at a maximum rate of 5,988 barrels of oil per day. Together with associated gas and preliminary estimates, this indicated the find could be the largest Danish oil discovery since the Skjold field in 1977.

Among food retailers, the spotlight was fixed on Asda as talk went round the market that there was a big buyer shopping for stock.

One story suggested the buyer was looking for as mnch as 25m shares of the food retailer's stock with few willing to part with their holdings.

Nevertheless, active trading continued in the shares, which rose 4¾ to 109¼p on turnover of 16m.

Hanson put on 3 at 188p as US buyers moved in on news of £1.5bn of disposals. Hanson plans to sell a majority equity interest in Suburban Propane, the third largest retail propane distributor in the US, and Cavenham Forest Indnstries, owner and manager of 1.75m acres of US timberland and a big sawmill operator.

Reuters recovered 14 in 582p with some help from creation of a joint venture with IP Groupe to develop and market on-line information and transaction services for the European advertising and media market.

Recommendations in the specialist press and recognition of seasonal factors saw Groupe Chez Gerard rise 9 to 217p.

General Accident, the insurer with a big exposure to US Treasury bonds, rose 28 to 651p in response to the recovery in US markets after tha Federal Reserve announce its quarter-point interest rate cut.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Dec 20	Dec 19	Dec 18	Dec 15	Dec 14	Yr ago	*High	*Low
Ordinary Share	2633.0	2595.3	2605.1	2633.3	2658.4	2374.4	2676.1	2238.3
Ord. div. yield	4.11	4.18	4.13	4.08	4.05	4.40	4.73	4.02
P/E ratio net	15.64	15.47	15.67	15.75	15.89	17.86	21.33	15.35
P/E ratio nil	15.44	15.28	15.37	15.58	15.71	17.38	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2622.9	2628.5	2621.8	2626.3	2624.1	2625.4	2630.6	2630.7	2632.5	2633.0	2618.0

	Dec 20	Dec 19	Dec 18	Dec 15	Dec 14	Yr ago
SEAQ bargains	26,956	27,556	27,079	27,682	37,257	19,587
Equity turnover (£m)†	-	1917.2	1461.5	1698.8	2064.3	1316.2
Equity bargains†	-	30,331	31,579	31,884	32,689	25,960
Shares traded (m)†	-	690.8	571.2	617.4	683.2	581.0

†Excluding intra-market business and overseas turnover.

■ **London market data**

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	921	Total Highs	62	Total contracts	27,741
Total Falls	312	Total Lows	39	Calls	17,853
Same	1,628			Puts	9,888

Dec. 20 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3610.0	3627.0	+43.0	3635.0	3604.0	8218	63907
Jun	-	3628.0	+43.0	-	-	0	1118

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	3980.0	+20.0	-	-	0	3316

■ FT-SE 100 INDEX OPTION (LIFFE) (*3612) £10 per full index point

[illegible]	[illegible]	[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
290	F.P.	208.1	347	298	CMG	320	-1	RN4.5	1.2	1.8	18.2
-	F.P.	24.0	29	23	Cash Converters	24		LN2.5	5.1	13.5	18.0
-	F.P.	23.8	125	118½	†Century Inns	119	+½				
-	F.P.	12.2	510	500	†Com de Part Fin	510					
150	F.P.	72.1	160	149½	Cortworth	151		RN5.8	2.1	4.8	12.4
-	F.P.	54.1	110	108	Cox Insurance	110					
-	F.P.	15.1	60	57	†Crown Products	57					
-	F.P.	15.2	90	81	†Dmatek	81					
-	F.P.	13.2	448	448	East Surrey NV	448					
100	F.P.	51.0	102	98	Finsbury Tech	102					
-	F.P.	15.0	146	125	Gardner (L)	134					
200	F.P.	21.8	203	201	Gearhouse	202		LN4.4	3.5	2.7	13.2
-	F.P.	3.38	116	83	Jasmin	83					
-	F.P.	14.7	28	25	†Marx & O'sees	25					
-	F.P.	21.3	99	93½	Martin Currie Jp	96½	-2				
-	F.P.	2.52	37	29	Do Warrants	37	+2				
204	F.P.	3,390.5	214½	198	National Grid	200½	+1½	WN11.23	2.3	7.0	9.0
200	F.P.	77.7	260	200	Peptide Th'peutics	229	-1				
-	F.P.	92.2	380	345	†Pet City	380	+15				
-	F.P.	25.4	152	124	†Polymasc Pharms	127	-2				
-	F.P.	1.07	105	100	†Revelation P'dilly	100					
-	F.P.	2.82	3½	3	†Rushmere Wynne	3¼	-¼				
-	F.P.	198.5	48	36	†Trocadero	47	-1				
-	F.P.	3.90	135	125	†Viewinn	130					
-	F.P.	47.1	68	55	Wilmington	56					31.0

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 19	% chg on day	Dec 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1903.28	-0.4	1911.43	1875.20	1.79	-	2063.66	1637.91
■ Regional Indices								
Africa (16)	2471.65	-0.3	2478.67	3002.30	3.78	26.09	3191.21	2272.74
Australasia (6)	2341.77	-1.2	2369.21	2335.95	2.11	36.94	2607.57	1788.20
North America (12)	1682.89	-0.3	1688.62	1478.09	0.80	46.35	1831.00	1346.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Dec 20	Day's chge%	Dec 19	Dec 18	Dec 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3613.7	+1.0	3576.9	3596.1	3642.8	3070.4	3.95	2.09	15.19	142.03	1440.03
FT-SE Mid 250	3960.1	+0.6	3937.4	3954.0	3959.8	3466.6	3.68	1.85	18.39	153.64	1555.22
FT-SE Mid 250 ex Inv Trusts	3974.2	+0.6	3952.4	3968.0	3971.1	3467.6	3.81	1.91	17.21	162.15	1561.82
FT-SE-A 350	1795.2	+0.9	1778.8	1787.7	1806.4	1535.6	3.89	2.04	15.73	70.33	1463.41
FT-SE-A 350 Higher Yield	1799.6	+1.2	1778.7	1782.4	1802.8	1557.8	4.98	1.85	13.56	87.59	1217.94
FT-SE-A 350 Lower Yield	1795.2	+0.7	1783.1	1797.8	1815.0	1512.8	2.77	2.40	18.83	51.74	1221.18
FT-SE SmallCap	1926.91	+0.2	1922.96	1933.85	1940.04	1740.00	3.45	1.69	21.41	81.34	1557.21
FT-SE SmallCap ex Inv Trusts	1903.64	+0.1	1901.87	1911.62	1916.83	1709.10	3.70	1.77	18.11	64.31	1546.88
FT-SE-A ALL-SHARE	1769.20	+0.9	1753.78	1762.82	1780.34	1519.48	3.86	2.02	16.03	68.34	1465.65

■ **FT-SE Actuaries All-Share**

	Dec 20	Day's chge%	Dec 19	Dec 18	Dec 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3211.01	+1.3	3169.15	3203.67	3226.99	2683.27	3.55	2.02	16.98	116.72	1351.22
12 Extractive Industries(7)	4194.47	+0.2	4187.41	4248.89	4251.62	3747.01	3.53	2.51	14.13	144.17	1202.78
15 Oil, Integrated(3)	3249.70	+1.6	3199.48	3234.51	3262.82	2853.33	3.79	1.96	16.88	123.18	1401.85
18 Oil Exploration & Prod(13)	2102.93	+1.2	2077.91	2081.45	2094.39	1854.69	2.39	1.48	35.01	49.88	1248.23
20 GEN INDUSTRIALS(278)	1919.26	+1.2	1897.38	1905.84	1921.15	1817.51	4.32	1.89	15.31	81.83	1030.90
21 Building & Construction(36)	1025.31	+0.8	1019.47	1022.24	1022.14	978.14	3.93	2.02	15.79	38.29	843.89
22 Building Matls & Merchs(31)	1782.27	+0.6	1771.93	1775.50	1776.63	1770.45	4.14	2.04	14.79	73.55	884.52
23 Chemicals(23)	2313.80	+1.8	2271.84	2289.64	2302.38	2268.23	4.24	1.87	15.78	94.71	1077.00
24 Diversified Industrials(20)	1734.06	+1.4	1709.81	1711.94	1736.38	1727.06	5.69	1.57	14.02	97.90	948.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3607.6	3608.5	3600.1	3606.7	3605.5	3608.2	3612.7	3610.6	3612.2	3614.8	3598.6
FT-SE Mid 250	3948.5	3953.9	3954.3	3955.4	3958.4	3958.7	3959.7	3960.2	3959.3	3960.2	3949.6
FT-SE-A 350	1791.6	1791.8	1789.3	1792.1	1791.8	1791.9	1794.7	1794.0	1794.5	1795.5	1789.8

Time of FT-SE 100 Day's high: 2.16pm Day's low: 9.58am. FT-SE 100 1995 High: 3664.4 (1/12) Low: 2954.2 (23/1)

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1027.8	1029.2	1028.1	1027.9	1029.2	1029.2	1030.3	1031.7	1033.5	1033.5	1023.8	+9.9
Pharmaceuticals	4904.2	4905.5	4890.8	4895.7	4895.4	4886.3	4893.2	4892.2	4874.3	4873.5	4883.5	+37.8
Water	2120.8	2121.4	2115.7	2118.0	2118.2	2115.7	2117.2	2120.4	2116.7	2118.9	2119.4	-2.5
Banks, Retail	4060.2	4063.0	4070.4	4068.5	4075.7	4070.4	4077.9	4094.2	4085.3	4095.5	4054.6	+11.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 20 / Sch)

BELGIUM/LUXEMBOURG (Dec 20 / Frs.)

CZECH REP (Dec 15 / Korona)

DENMARK (Dec 20 / Kr)

FINLAND (Dec 20 / Mkk)

FRANCE (Dec 20 / Frs.)

GERMANY (Dec 20 / Dm.)

GREECE (Dec 20 / Drachma)

ITALY (Dec 20 / Lire)

NETHERLANDS (Dec 20 / Fls.)

NORWAY (Dec 20 / Kroner)

POLAND (Dec 20 / Zloty)

PORTUGAL (Dec 20 / Escudo)

SPAIN (Dec 20 / Pta.)

SWEDEN (Dec 20 / Kronor)

SWITZERLAND (Dec 20 / Frs.)

TURKEY (Dec 20 / TK Lira)

PACIFIC

JAPAN (Dec 20 / Yen)

HONG KONG (Dec 20 / H.K.$)

INDONESIA (Dec 19 / Rupiah)

MALAYSIA (Dec 20 / MYR)

NEW ZEALAND (Dec 20 / NZ $)

SINGAPORE (Dec 20 / S$)

AUSTRALIA (Dec 20 / AusS)

SOUTH KOREA (Dec 20 / Won)

TAIWAN (Dec 20 / TW $)

THAILAND (Dec 20 / Baht)

AFRICA

SOUTH AFRICA (Dec 20 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 20 / Can $) 4 pm close

MONTREAL (Dec 20 / Can $) 4 pm close

INDICES

US INDICES

Financial	61.38	60.48	61.50	[illegible] (6/12)	41.64 (3/1)	[illegible] (6/12/95)	8.64 (1/10/74)
NYSE Comp.	325.71	323.66	325.65	331.17 (13/12)	250.73 (3/1)	331.17 (13/12/95)	4.46 (25/4/42)
Amex Mkt Val	531.91	527.44	535.37	[illegible] (12/9)	493.12 (9/1)	[illegible] (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1026.40	1002.56	1030.46	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Dec 15	Dec 8	Dec 1	Year ago
Dow Jones Ind. Div. Yield	2.27	2.27	2.30	2.80
	Dec 13	Dec 6	Nov 29	Year ago
S & P Ind. Div. yield	1.95	1.95	2.00	2.48
S & P Ind. P/E ratio	19.09	18.96	18.64	18.29

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Hanson	8,524,900	14½	-⅛
Micron	8,381,100	45⅝	+2¼
K-Mart	8,165,900	6	–
Noble A	7,754,100	33	+⅛
Telefonos	5,590,300	32¼	+1¾
Motorola	5,468,100	58¼	+2
Texas Insts	4,767,300	50	+3⅝
Compaq	4,285,700	49⅝	+3⅝
IBM	3,742,300	91¼	+2¼
Merck	3,646,900	63⅝	-1¼

TRADING ACTIVITY

● Volume (million)

	Dec 19	Dec 10	Dec 10
New York SE	478.297	426.237	639.527
Amex	16.464	20.280	22.391
NASDAQ	578.742	590.600	594.291
NYSE			
Issues Traded	3,114	3,099	3,096
Rises	1,537	474	1,125
Falls	893	2,023	1,238
Unchanged	684	602	733
New Highs	102	81	156
New Lows	45	62	31

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	619.30	618.90	+7.05	619.90	617.65	81,529	193,189
Jun	624.90	624.30	+1.05	625.25	624.00	407	6,288

INDEX FUTURES

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

TOKYO - MOST ACTIVE STOCKS: Wednesday, December 20,1995

	Stocks Traded	Closing Prices	Change on day
Hanwa	19.6m	369	+23
Nippon Steel Corp	7.9m	352	+4
Toshiba Corp	7.5m	765	+4
Shinagawa Fuel	7.4m	1310	+50
Mitsubishi Heavy	7.3m	818	+5
Hitachi	7.2m	985	+17
Nippon Koshuha Stl	6.8m	699	-1
Osaka Gas	5.8m	357	+5
Nippon Oil	5.8m	605	+23
NKK Corp	5.5m	277	+6

4 pm close December 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	1995 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
21½	12⅛	AAR	0.48	2.2	23	238	d21½	21	21⅜	+⅜
48¼	35	AMP	0.92	2.4	10	4161	39	37⅝	37⅝	-1⅜
80¼	53⅜	AMR			17	7440	77	74⅞	76⅛	+1⅞
47⅞	36⅜	ASA	1.71	4.4	25	017	38⅝	38	38⅝	+½
44¾	30¾	AbbtL	0.84	2.1	10	12178	41¼	40¼	40⅝	+⅛
18⅞	12	AbtMd Pr	0.45	2.8	7	1727	14⅜	14¼	14¼	
28½	21	ABM Ind	0.60	2.2	14	64	27⅝	27⅝	27⅝	+¼
17½	13⅛	Acpincain			10	160	15⅛	14⅝	14⅞	-¼
40	21⅞	ACE Ltd	0.80	1.5	8	2508	38	37⅝	38	
9⅞	8⅛	ACM Gvt In	0.90	9.9	8	609	9¼	9⅛	9⅛	
7¾	6½	ACM OpOpp	0.66	0.7		77	7⅛	7¼	7¼	-⅛
7½	5¾	ACM Gvt Sp	0.75	11.1		632	6⅞	6⅝	6¾	+⅛
8¾	7¼	ACM Gvt Se	0.90	10.8		422	8⅜	8¼	8¼	-⅛
8½	7⅝	ACM Man	0.96	10.1		120	8⅞	8¾	8⅞	+⅛
29¼	10¼	AcmeCv	0.48	2.9	29	380	17	16½	16½	+⅛
38¾	7⅛	Acme Elect			70	125	8½	8⅜	8½	
34⅛	23¾	Acordia	0.72	2.4	18	28	29⅝	29⅜	29⅝	+⅜
16¾	10⅛	Acuson			38	719	12⅝	12⅛	12⅜	
19⅝	15⅝	Adams Exp	0.48	2.6	0	49	18½	18⅜	18⅜	
38⅞	2⅞	AdvMic			5	7015	17⅝	16⅞	16⅞	-⅝
9¾	5	Advest Grp	0.16	1.8	12	24	8⅞	8⅝	8⅞	+¼
27½	16½	Advo Inc	0.10	0.4	19	2680	26½	25⅜	26⅛	+⅜
[illegible]										

Continued on next page

4 pm close December 20

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 20

AMEX COMPOSITE PRICES

4 pm close December 20

AMERICA

US stocks in steady gains by midsession

Wall Street

US share prices rose in early trading, adding to gains made late on Tuesday after the Federal Reserve announced that it had cut the Federal Funds target rate by 25 basis points to 5½ per cent, *writes Lisa Bransten in New York*.

At 1 pm, the Dow Jones Industrial Average was 15.90 higher at 5,125.79. The Standard & Poor's 500 rose 1.52 to 613.51 and the American Stock Exchange composite wes up 2.21 at 533.82. NYSE volume was a heavy 252m shares.

Cyclicel shares, which should benefit from lower interest rates, were mostly higher, while consumer goods companies in the Dow were mostly lower. The Morgan Stanley index of cyclical shares added 0.7 per cent, while the counterpart index of consumer shares was up 0.2 per cent.

Among the Dow compooents, Coca-Cola lost $1¼ at $75¾, Philip Morris was $1⅞ lower at $88 and Proctor & Gamble shed $¾ to $83⅞.

Both stocks and bonds were stronger in morning trading and then began to fall back in the early afternoon after Mr Leon Panetta, President Clinton's chief of staff, said there were problems in negotiations between Congress and the administration over how to balance the federal budget.

US financial markets heve rallied over the past several weeks on hopes for balanced fiscal policy. The government remained partially closed yesterday as neither side had agreed to stop-gap measures to keep offices open until a budget package was agreed.

Technology shares also continued to rebound from the steep losses made at the end of last week and Monday as the Nasdaq composite, which is about 40 per cent based on high-technology issues, edded 7.28 at 1,033.69. The Pacific Stock Exchange technology index wes 0.7 per cent higher.

Computer-related technology issues were mixed but biotechnology companies traded on the Nasdaq were mostly higher. Chiron added $3⅞ or 3.8 per cent at $103. Amgen was $1⅜ stronger at $52⅝ and Genzyme appreciated $2 to $56½.

Polaroid shares lost $1¾ or 3.6 per cent at $47¼. After the market closed on Tuesday, the instant photography company warned that earnings in the fourth quarter would be below expectatinns at "near break-even" before special charges.

Fruit of the Loom forged ahead $2½ or 12.4 per cent to $22⅝ after the company said that it would take after-tax charges in the fourth quarter of about $240m to write down good-will on some of its businesses and to close plants and cut employees.

The company said it expected savings of $40m to $50m from the restructuring.

Canada

Toronto continoed to move strongly ahead in midday trade after Tuesday's reductions in US and Canedian interest rates, and the TSE 300 composite index was 26.20 higher by noon et 4,679.81 in hefty volume of 40.6m shares.

Oil and gas stocks dominated the most actively traded list.

Argentina, Brazil in early rally

There were strong gains in Argentina and Brazil by midsession following the rate cut in the US overnight, as expectatioos grew thet foreign investors would now be attracted to the region.

MEXICO CITY, however, was unable to break through the 2,800 level, and the IPC index was up 13.90 at 2,761.36 by midsession. Some dealers commented that the market's gain in recent sessions had forced a consolidation period.

In BUENOS AIRES the Merval index was a strong performer, advancing 19.32 or 4 per cent to 507.82. Active stocks included Telecom and Telefónica, which were up by a respective 6.3 per cent and 5.3 per cent, while oil conglomerate YPF moved ahead e healthy 3.2 per cent.

SAO PAULO was ective and by mid-afternoon the Bovespa index had gathered 1,248.32 or 3 per cent at 41,598.

● Yesterday was the anniversary of the devaluetion of the Mexican peso. Bear Stearns noted that on the year the Mexican market in dollar terms had dropped by 44 per cent.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms			Local currency terms		
Market	No. of stocks	Dec. 15 1995	% Change over week	% Change on Dec '94	Dec. 15 1995	% Change over week	% Change on Dec '94
Latin America	(252)	458.21	+0.0	-21.4			
Argentina	(30)	751.50	+3.5	+2.3	461,076.97	+3.4	+2.3
Brazil	(72)	300.03	-2.4	-21.9	1,085.75	-2.3	-10.9
Chile	(36)	752.65	+5.1	-4.0	1,223.13	+3.7	-3.0
Colombia[1]	(16)	595.23	+2.7	-26.7	1,038.70	+3.7	-13.1
Mexico	(67)	429.35	+0.2	-29.4	1,439.43	+0.5	+11.5
Peru[2]	(19)	190.26	+3.2	+6.7	269.50	+2.1	+13.3
Venezuela[3]	(12)	337.13	+1.2	-31.8	2,564.88	+2.8	+32.7
Asia	(677)	230.14	+0.0	-7.7			
China[4]	(20)	55.02	-0.3	-27.5	57.78	-0.3	-28.6
South Korea[5]	(159)	128.03	-7.0	-6.4	129.87	-6.7	-8.4
Philippines	(25)	246.45	-0.5	-17.3	312.19	-0.4	-11.2
Taiwan, China[6]	(93)	109.26	+4.7	-33.2	112.66	+4.8	-30.6
India[7]	(101)	79.38	-2.2	-35.7	98.57	-2.0	-28.4
Indonesia[8]	(42)	107.08	-4.2	+7.3	132.95	-4.3	+11.6
Malaysia	(114)	270.80	+1.3	+0.7	254.30	+1.5	+0.4
Pakistan[9]	(36)	227.07	+0.5	-38.0	352.81	+0.5	-31.0
Sri Lanka[10]	(18)	106.12	+2.2	-38.3	123.84	+2.6	-33.2
Thailand	(68)	374.36	+0.1	-2.4	373.99	+0.1	-2.2
Euro/Mid East	(209)	141.74	-0.9	+19.6			
Greece	(40)	236.32	-0.6	+4.7	381.68	-0.4	+3.8
Hungary[11]	(5)	106.21	-2.8	-30.0	174.01	-2.5	-15.8
Jordan	(8)	187.45	+4.0	+25.0	279.77	+4.0	+25.8
Poland[12]	(16)	430.54	-0.5	-8.3	686.52	-0.5	-4.7
Portugal	(27)	112.82	+0.8	-6.8	117.32	+0.2	-11.4
South Africa[13]	(64)	257.31	-0.5	+14.5	194.79	-0.8	+3.0
Turkey[14]	(44)	111.82	-5.0	-8.2	2,990.95	-3.7	+35.2
Zimbabwe[15]	(5)	273.48	+0.8	+11.8	375.08	-0.4	+24.4
Composite	(1138)	272.37	-0.3	-11.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993

This looks like the year the Chilean stock market breaks with a 10-year tradition and goes dnwn instead of up, writes Imogen Mark in Santiago. At best, the market will end the year flat, says Mr Jnan Andres Camus, partner in the Celfin hrokerage.

Consequently the private pension funds will register negative profits fnr the first time, at an average of minus 2.5 or 3 per cent on investments of $23.7bn. Last year there were profits of 17 per cent.

Tequila and tango effects were an important negative factor throughnut the first half, particularly on the 19 majnr Chilean ADR stocks which trade on Wall Street. Local and foreign investors were hopeful that local institutional investors would support the market when the authnrities increased the ceiling for pension funds' share investments, from 30 per cent tn 37 per cent of portfolio. Bnt rising interest rates from August onwards have led most investors to shift into fixed income instruments.

This month an announcement from the IFC lifted the market in the expectation of more foreign interest. The IFC advised that it had changed the basis of its calculatinn fnr "investahility" in the Chilean market. The effect, as from January 1996, will be to increase Chile's weighting snbstantially in the IFCI index, from 1.7 per cent tn 7.4 per cent. Had the revision been effective from the end of October, the IFC said, the Chile index's market capitalisatinn wnuld have risen from $11hn to $44hn.

The news set off speculative bnying, as some investors believed that foreign fund managers would be ohliged to adjust their portfolios in the light of the new weighting. But several Londnn-based fnreign fund managers and analysts scntched this view. "Nobody benchmarks from the IFC," said nne. Others were less sure, hnt did nnt see a rush fnr Chile either. However, a local foreign investment fund manager thought that some Chile stocks were going to look enticingly cheap with price/earnings ratios of around nine and 10 when end-year results were announced.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 19 1995								MONDAY DECEMBER 18 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	167.53	-0.8	180.17	120.52	139.96	168.33	-0.8	3.87	189.07	182.17	121.40	140.74	169.70	181.86	157.95	171.48
Austria (26)	168.36	-1.9	161.74	108.20	125.64	125.57	-1.6	1.69	171.54	165.29	110.15	127.69	127.61	199.28	167.48	177.58
Belgium (34)	204.40	-1.0	196.37	131.36	152.55	148.78	-0.8	3.52	206.50	198.97	132.59	153.71	149.97	206.50	165.22	165.67
Brazil (28)	131.21	-0.5	126.05	84.32	97.92	233.59	-0.6	1.89	132.02	127.21	84.77	98.27	235.09	180.75	86.06	180.75
Canada (101)	145.32	0.7	139.61	93.39	108.45	145.04	0.9	2.57	144.35	139.08	92.69	107.45	143.79	150.83	121.81	127.67
Denmark (33)	281.10	-2.1	270.06	180.66	209.79	212.85	-1.8	1.53	287.24	276.76	184.44	213.81	216.78	295.99	236.61	236.61
Finland (25)	171.73	-4.1	164.98	110.36	128.16	156.12	-3.6	2.05	178.12	172.59	115.02	133.34	161.97	276.11	171.13	178.93
France (100)	172.05	-0.7	165.29	110.57	128.40	133.35	-0.6	3.29	173.26	166.94	111.25	128.97	134.10	191.17	157.79	163.53
Germany (59)	161.25	-1.4	154.91	103.63	120.34	120.34	-1.1	2.00	163.53	157.57	105.01	121.73	121.73	187.74	139.11	139.13
Hong Kong (55)	372.58	-0.8	357.95	239.45	278.06	369.98	-0.8	3.95	375.79	362.08	241.29	279.73	373.17	389.39	277.40	327.87
Ireland (16)	250.68	-1.1	240.84	161.11	187.08	221.58	-1.2	3.46	253.45	244.21	162.74	188.66	224.23	260.87	197.54	167.54
Italy (59)	71.22	-0.2	68.43	45.77	53.16	84.92	-0.2	1.72	71.39	68.78	45.84	53.14	85.12	82.71	65.45	70.52
Japan (483)	151.48	-0.8	145.53	97.35	113.05	97.35	-0.7	0.78	152.74	147.17	98.07	113.70	98.07	164.62	136.95	152.41
Malaysia (108)	477.30	-0.7	458.55	306.75	356.21	467.37	-0.8	1.77	480.73	463.20	308.69	357.65	471.01	561.96	398.15	467.88
Mexico (18)	1017.21	4.7	977.25	653.73	759.14	6530.30	3.5	1.63	971.65	936.21	623.90	723.27	6243.85	1829.58	647.91	1829.58
Netherland (19)	265.24	-0.9	254.82	170.48	197.95	194.87	-0.6	3.35	267.62	257.87	171.84	199.22	195.85	268.72	211.73	211.73
New Zealand (14)	77.22	-0.8	74.18	49.63	57.63	62.82	-0.8	4.62	77.95	75.11	50.05	58.02	63.38	85.48	69.74	71.58
Norway (33)	222.24	-2.1	213.51	142.83	165.86	191.54	-1.9	2.19	227.06	218.78	145.79	169.02	195.24	243.79	202.55	202.70
Singapore (44)	395.81	-0.2	380.26	254.38	295.40	258.01	-0.1	1.56	396.43	381.97	254.56	295.10	258.28	414.26	313.94	368.06
South Africa (45)	383.55	-1.0	368.48	246.48	286.24	307.47	-0.8	3.65	387.39	373.26	248.74	288.36	310.24	392.04	281.06	332.07
Spain (38)	159.66	-1.1	153.39	102.61	119.15	147.77	-1.0	4.06	161.38	155.50	103.62	120.13	149.23	161.38	124.10	136.87
Sweden (47)	294.18	-2.1	282.64	189.07	219.56	288.47	-2.0	2.08	300.62	289.66	193.03	223.78	294.26	321.99	226.76	226.76
Switzerland (40)	229.23	-1.3	220.22	147.32	171.07	163.73	-1.2	1.62	232.27	223.80	149.14	172.90	165.64	232.27	160.28	160.28
Thailand (46)	163.28	-0.4	156.87	104.94	121.86	159.44	-0.4	2.56	163.95	157.98	105.28	122.05	160.07	184.56	130.15	154.33
United Kingdom (206)	222.43	-0.2	213.69	142.95	166.01	213.69	-0.5	4.11	222.93	214.80	143.15	165.95	214.80	228.33	191.53	192.41
USA (638)	249.31	1.0	239.51	160.22	186.08	249.31	1.0	2.25	246.90	237.89	156.53	183.78	246.90	253.50	187.05	167.33
Americas (785)	227.02	1.0	218.11	145.90	169.43	190.68	1.0	2.25	224.82	218.82	144.36	167.35	189.03	230.78	173.81	174.75
Europe (735)	194.31	-0.8	186.68	124.88	145.02	165.17	-0.8	3.10	195.36	188.81	125.63	145.87	165.54	199.02	165.87	165.87
Nordic (138)	261.13	-2.4	250.87	167.82	194.89	221.46	-2.1	1.99	267.56	257.79	171.79	199.15	226.32	295.02	216.60	216.60
Pacific Basin (831)	161.46	-0.8	155.12	103.76	120.50	107.56	-0.7	1.22	162.77	156.84	104.52	121.17	108.35	171.67	145.83	160.18
Euro-Pacific (1566)	175.04	-0.8	168.15	112.48	130.63	129.44	-0.8	2.09	176.49	170.05	113.33	131.38	130.45	178.33	154.73	162.45
North America (739)	242.90	1.0	233.35	156.10	181.27	242.33	1.0	2.26	240.57	231.79	154.47	179.07	239.99	246.93	183.41	183.64
Europe Ex. UK (529)	174.91	-1.2	167.34	112.34	130.46	138.69	-1.0	2.52	176.90	170.45	113.59	131.68	140.09	179.48	148.07	148.07
Pacific Ex. Japan (348)	257.81	-0.7	247.68	165.69	192.41	227.52	-0.7	3.26	259.70	250.23	166.75	193.32	229.18	266.72	211.19	237.01
World Ex. US (1758)	176.03	-0.6	169.11	113.13	131.37	133.20	-0.7	2.13	177.37	170.90	113.89	132.03	134.15	178.73	156.42	164.29
World Ex. UK (2190)	196.13	0.0	188.43	126.05	146.37	181.99	0.0	1.99	196.16	189.00	125.95	146.01	181.86	198.37	163.46	168.81
World Ex. Japan (1913)	225.02	0.2	216.18	144.61	167.93	210.74	0.2	2.63	224.52	216.34	144.17	167.13	210.26	228.28	161.60	162.57
The World Index (2396)	198.47	0.0	190.68	127.55	148.12	166.57	0.0	2.18	198.54	191.30	127.48	147.79	166.58	200.90	165.92	176.90

PLEASE NOTE: Vard (Norsk) is not a constituent of the FT/S&P Actuaries World Indices. Please ignore name change notification published 20/12/95 in all editions. Latest prices were unavailable for this edition.

EUROPE

Paris makes headway amid optimism

Hopes that there could be a cut in interest rates before the weekend drove PARIS higher. The monetary council of the Bank of France was due to meet in session today. The CAC-40 index moved forward 20.99 to 1,831.20 in turnover of FFr3.7bn.

Dealers said that there were a number of factors which could lead to an early rate reduction, including a firmer franc and lower money rates, as well as a slowdown in domestic economic growth.

There was a sharp fall in Crédit Foncier de France, down FFr15.55 or 19 per cent at FFr67.45, with dealers left unaware of news which could have provoked such heavy selling. Trading in the bank was suspended prior to the end of the session.

Sodexho rose FFr98 or 7.5 per cent to FFr1,400 after announcing that it was to acquire a Swedish contract services group for FFr1.1bn.

AMSTERDAM steged e strong recovery in Polygram, which lost 9 per cent in Tuesday's session, as institutions returned on bargain hunting. The stock edvanced Fl 3.60 to end et Fl 85.10.

Some dealers remarked that they thought the fall had been exaggerated; and yesterday the company announced that it had paid $62m to acquire a US film and television library. Philips, the parent group, rose Fl 2.50 to Fl 58.30.

The AEX index was 8.10 or 1.7 per cent stronger at 480.61.

FRANKFURT illustrated the fact that many dealers and traders were already winding down ahead of the Christmas break. The Dax index moved in a tight range to end with e gain of 26.45 et 2,262.07, which increased to 2,268.07 in the Ibis. Turnover was DM6.8bn.

Hoechst finished with a rise of DM4 to DM385 after announcing that it planned to cut 8,000 jobs as part of the restructuring of its pharmaceuticals division. This was estimated to save about DM800m per annum from 1997.

ZURICH called a halt to the 2.2 per cent slide of the previous two sessions, and the SMI index picked np 36.2 to 3,253.9.

A SFr15 jump in Clariant to SFr378 was ettributed to end of year window dressing and buying connected to the share's addition in the SMI index next year.

Roche certificates moved ahead SFr130 to SFr8,850 and Ciba was up SFr22 to SFr1,001.

Merkur, the retail group, rose SFr5 to SFr243. Analysts attributed the rebound to the winding down of strikes in France, where the group has part of its business.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Dec 20 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1459.60	1459.65	1459.44	1460.17	1460.54	1462.97	1463.85	1463.89
FT-SE Eurotrack 200	1563.72	1565.85	1566.38	1565.55	1566.11	1568.47	1567.01	1565.70

	Dec 19	Dec 18	Dec 15	Dec 14	Dec 13
FT-SE Eurotrack 100	1450.49	1465.72	1475.14	1474.46	1470.58
FT-SE Eurotrack 200	1552.28	1570.79	1580.60	1591.13	1585.51

Base 1000 (26/10/90) High/day: 100 - 1464.06; 200 - 1568.65 Low/day: 100 - 1458.65 200 - 1563.58 † Partial

MILAN took a late tumble as investors adjusted portfolios ahead of the inclusion today of the newly privatised energy group Eni in the Mib30 index. The Comit index was 1.5 per cent higher, reflecting the firm early performance of shares, but the Mibtel index fell 132 to 9,108, with renewed uncertainty over the 1996 budget elso unsettling the market. Eni, which has tha largest capitelisation on the stock exchange, jumped L151 to L5,597, while investors sold other blue chips with lower liquidity.

Among the biggest losers, IMI, the bank, lost L906 to L9,094 and Ina, the stete insurer, fell L83 to L1,935.

MADRID jumped 1.8 per cent but some analysts warned that the day's gains seemed overdone. The General index picked up 5.73 to 317.39 in active turnover of Pta39.6bn. Telefónica gained Pta25 to Pta1,685 and Repsol was Pta30 higher at Pta4,020.

ISTANBUL surged 4 per cent as demand built for state owned stocks on expectations that privetisation activity would speed up after Sunday's general elections. The IMKB-100 index pressed 1,561.55 higher, through resistance at 40,600 to close et a day's high of 41,118.17.

Activity in the largely state-owned petroleum refiner, Tupras, which picked up TL1,750 to TL11,500, made up 18 per cent of the total volume. It was followed by the partially privatised flat steel giant, Eregli, up TL400 et TL5,500.

TEL AVIV was higher, across the board, following a rise in Israeli shares traded in New York. The Mishtanim index rose 4.26 or 2.1 per cent to 206.95.

Tadiran rose 3 per cent to Shk1,237 after it received a $35m contract to supply the Swiss army with ground-control systems for unmanned aircraft systems.

Africa Israel Investments, which lost more than 10 per cent in the previous five trading days, recouped 4.3 per cent to Shk384,407.

HELSINKI saw a significant rebound in Nokia lift the general market. The HEX index rose 40.40 or 2.5 per cent to 1,633.83 in turnover of FM568.6m. Nokia A rose FM9 to FM152 in volume of almost FM400m. The forestry sector made 2.4 per cent.

WARSAW took fright at President Lech Walesa's statement on Tuesday night that he had information about a threat to state security. The Wig index, which pierced strong support et 7,800 points during tha previous session, tumbled 270.4 or 3.5 per cent to 7,455.2 as speculation mounted that a senior political figure allegedly had contracts with Soviet and Russian intelligence. Turnover shot up 47.6 per cent to 58.6m zlotys.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Region is encouraged by cut in US rates

Tokyo

Bolstered by the overnight rise on Wall Street and progress on the *jusen* solution, the Nikkei gained 1.6 per cent, *writes Emiko Terazono in Tokyo*.

The 225-share index was ahead 308.10 et 19,448.59 after moving between 19,200.88 and 19,537.66. The recovery on Wall Street boosted high-technology stocks, while bank shares gained ground on the cabinet approval of a scheme to bail out the country's ailing *jusen*, or housing loan companies.

Volume was 518m shares, against 368m. The Topix index of all first section stocks rose 24.86 to 1,544.98 and the Nikkei 300 added 4.88 at 290.67. Advances led falls by 932 to 197, with 93 issues unchanged.

In London the ISE/Nikkei 50 index gained 1.13 at 1,342.23.

Unlike most domestic institutions, which remain conservative on equity investments, Dai-Ichi Mutual Life said it intended to increase exposure to the stock market.

A rise in futures prompted arbitrage buying. Traders noted index-linked buying by Morgan Stanley, which also placed buying orders for Fuji Bank, Sumitomo Bank and Dai-Ichi Kangyo Bank.

High-technology issues were sought: Hitachi jumped Y17 to Y985 and Oki Electric added Y19 at Y924, while TDK rose Y240 to Y5,090.

Banks were higher on arbitrage linked buying and short-covering. Dai-ichi Kangyo Bank rose Y50 to Y1,990, Sumitomo Bank Y40 to Y2,210 and Fuji Bank Y50 to Y2,350.

Nissan Motor gained ground on buying hy foreigners and individual investors. The stock put on Y12 at Y747, supported hy reports of active sales for the first 11 months of the year. Honde Motor was also higher, up Y30 to Y1,960.

In Osaka, the OSE everage rose 360.32 to 20,949.12 in volume of 135.8m shares.

Roundup

The US rates cut rekindled hopes of a local bank rates cut tomorrow in HONG KONG and shares gained 1.8 per cent.

The Hang Seng index ended 172.00 ahead et the day's high of 9,877.86 in turnover that picked np to HK$3.7bn from Tuesday's HK$2.9bn.

Analysts noted that the healthy price paid for a luxury housing development site at Tuesday's government land auction provided an added incentive to purchase interest rate-sensitive stocks.

HSBC, finding recent favour with analysts, moved ahead HK$1.50 to HK$115.

TAIPEI tumbled 2.3 per cent as profits were taken and investors turned bearish on Formose Plastics. The weighted index surrendered 117.33 at 4,964.84 in heavy turnover of T$71.3bn.

Formosa Plastics fell T$1.40 to T$39.40 as nswspaper reports circulated that the company was considering investment projects in China because of a perceived worsening domestic business climate.

SINGAPORE climbed to an 11-month high as the US rates cut prompted renewed institutional demand. The Straits Times Industrial index added 39.83 et 2,227.17.

Fraser & Neavs, the food and drinks group, led gains, rising 50 cents to S$17.90, which ecconnted for a 7.76 points advance on the index.

KUALA LUMPUR was 2 per cent higher, the composite index gaining 19.53 et 997.02 on expectetions of renewed foreign funds flowing into the region.

Volume leaders were led by Sri Hartamas, the property group, which advanced 4 cents to M$2.47 after e favourable hroker's report.

SYDNEY was higher following the overnight gain on Wall Street.

The All Ordinaries index made 16.70 to 2,199.50 in turnover of A$711.6m.

CRA forged ahead 38 cents to A$21.70 after shareholders approved its merger with RTZ.

MANILA moved up in heavy trading. The composite index closed 33.48 higher et 2,509.63 in volume of 1.5hn shares worth 3.57bn pesos.

The commercial-industrial index rose 40.76 to 3,515.82, the property sector gained 2.51 at 116.69 and mining issues were up 14.96 et 3,147.53.

BANGKOK advanced 2.3 per cent on a general round of buying. The SET index moved forward 28.19 to 1,275.45 in turnover of Bt10bn.

SEOUL finished slightly ahead after the market failed to sustain a late morning buying spree sparked by a cabinet reshuffle. The composite index ended 1.25 up at 892.04, off the day's peak of 899.72.

BOMBAY finished higher in a mild rebound as speculators and foreign funds bought selectively. The BSE 30-share index rose 12.25 to 3,049.26.

SOUTH AFRICA

Johannesburg was mixed, with industrials firm, taking their lead from markets abroad, and gold shares flet in reaction to a dull bullion price. The overall index advanced 19.5 to 6,218.4, indostrials climbed 40.9 to 7,947.6 and golds finished 0.7 easier at 1,333.7.